Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1400	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$1.25	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

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Nato: Why all is not rosy in the garden, Page 19

World News | Business Summary

Nato summit unlikely to heal N-arms rift

West Germany and France clashed with the US and Britain over Nato's plans to modernise its remaining European-based nuclear weapons, days ahead of an alliance summit. UK officials said the meeting was unlikely to heal the rift.

Meanwhile French President François Mitterrand expressed disagreement with Nato proposals to modernise short-range nuclear missiles in Europe and its "flexible response" doctrine. Page 3

Iraqi revenge raids

Iraq retaliated against two Iranian surface-to-surface missile strikes on Baghdad with air raids on Tehran and claimed it had launched three missiles against the Iranian capital. Page 4

Hong Kong impasse

Last-ditch talks collapsed between Hong Kong officials and staff of the UK Ministry of Defence over funding of Britain's 8,000-strong garrison in the colony. Page 4

More Palestinians die

Two more Palestinians from the Israeli-occupied West Bank died while Prime Minister Yitzhak Shamir said he would consider barring reporters from entering the occupied areas.

Panamanian arrest

Panamanian police arrested opposition leader Aurelio Barria as a general strike called by his movement in protest against military ruler Manuel Antonio Noriega had limited impact. Strike call unheeded, Page 6

Dakar emergency

President Abdou Diouf of Senegal declared a state of emergency in Dakar one day after general elections as supporters of a defeated rival fought with police and denounced Sunday's poll as a fraud. Page 4

Bokassa life sentence

President André Kolingba of the Central African Republic commuted the death sentence on ousted Emperor Jean-Bedel Bokassa to forced labour for life.

Polish pay pledge

About 1,500 workers in a Polish railway repair plant won major pay concessions after downing tools in response to a strike call by a branch of the outlawed Solidarity trade union. Page 2

Finance minister sacked

Liberian Finance Minister John Bestman was dismissed after President Samuel Doe paid a visit to his office and found him absent.

Moroccan envoys jailed

Three Moroccan diplomats and a doctor were jailed for life in Rabat for spying for the Soviet Union.

IRA men killed

Two IRA men were killed when a bomb they were carrying went off prematurely outside a barn near Crossmaglen in Northern Ireland.

Crisis talks delayed

The Yugoslav Communist Party Central Committee decided to postpone a conference on the country's economic crisis, saying poor planning would prevent it from solving problems.

Ombudsman swamped

Poland's first ombudsman – in office only six weeks – received more than 13,000 letters seeking help. Page 3

Workers refuse wages

Hundreds of secular employees at the Vatican said they would refuse pay for three hours' work in protest against a plan to move payment of their salaries from the beginning to the end of the month. They asked for the pay to be given to charities.

Wall Street records best closing level since crash

WALL STREET recorded its highest closing level since October's stock market crash with the Dow Jones Industrial Average breaking through the psychological 2,050 mark. It closed at 2,071.62, up 48.41, the second biggest gain of the year. Takeover activity and dividend related stock transactions dominated trading. Page 44

FORD of the US, world's second-largest automotive group, is to spend around $1bn on re-equipping its European plants over the next five years. Page 21

BURT SUGARMAN, Hollywood film producer and industrialist, has launched his long-awaited takeover offer for Media General with a $61½-a-share bid valuing the Virginia-based newspaper and broadcasting group at about $1.75bn. Page 21

ASEA-BROWN BOVERI, international engineering group, is to scrap some 2,500 jobs over the next two years at its operating subsidiary in Switzerland. Page 22

ROBERT HOLMES à Court, Australian entrepreneur, has moved to simplify his corporate structure after the October stock market crash by arranging a takeover bid valued at about A$700m ($503m) for Bell Group by its associate company Bell Resources. Page 24

PLESSEY, UK electronics group, is planning a major diversification into telecommunications services following the incorporation of its communications equipment business into a joint venture with General Electric Company of the UK. Page 12

GOLD prices fell sharply in London on selling by producers and Middle Eastern merchants. The bullion market finally closed at $425 an ounce. Silver prices recovered from an early 11-month low, but the bullion price still closed 9 cents down at 613 cents an ounce. Good underlying support in the 600/605 cents range could be tested if gold comes under further pressure, dealers said. Page 32

LONDON: Turnover remained woefully thin as institutional investors stayed on the sidelines in the run-up to the Budget, and the FT-SE 100 index added just 2.3 to 1,768. Page 40

TOKYO: Concern over the fast rate of recovery in Tokyo led to the market's first fall in 14 sessions, although the steel sector remained active and buying interest was strong. The Nikkei average finished 42.06 lower than Saturday at 25,242.81. Page 44

DOLLAR closed in New York at DM1.6875, Y128.25, FFr5.7145, SFr1.3910. It closed in London at DM1.6880 (DM1.6870); FFr5.7175 (FFr5.7125); SFr1.3915 (SFr1.3870); and Y128.35 (Y128.15). Page 33

STERLING closed in New York at $1.7735. It closed in London at $1.7735 (unchanged); DM2.9925 (unchanged); FFr10.14 (FFr10.1325); SFr2.4675 (SFr2.46); and Y227.75 (Y227.25). Page 33

RIKSBANK, Sweden's central bank, plans to remove certain lending regulations for banks and finance companies, admitting that the rules were widely ignored and had failed to achieve their goal of curbing household borrowing. Page 23

Soviet Union hit by spread of 'rampage and violence'

BY CHRISTOPHER BOBINSKI IN MOSCOW

NEW VIOLENCE has flared in the Soviet Union's troubled Transcaucasian republics with rioting in a previously unaffected city in Azerbaijan.

Tass, the official Soviet news agency, reported that rioters had rampaged through the industrial city of Sumgait on Sunday, in the first indication of civil strife in an area inhabited mainly by Moslem Azerbaijanis.

The riots followed a week of nationalist demonstrations by Soviet Armenians calling for the return of a region of Azerbaijan, previously part of neighbouring Armenia.

In a brief despatch Tass said that a group of "hooligans had provoked disturbances in the city" and that "rampage and violence followed."

Tass said that "measures have been adopted to normalise the situation in the city and safeguard discipline" and added that an investigation had been launched.

Tass made no link between Sunday's riot in Sumgait and the recent unrest in the predominantly Armenian region of Nagorno-Karabakh, whose population is demanding reunification with neighbouring Soviet Armenia.

A response had been expected, however, from the Azerbaijani population and the local Communist Party, to calls from Armenians for the return of the region, which has been part of Azerbaijan since 1923, although about 75 per cent of its population are Christian Armenians.

Two Azerbaijanis were reported to have been killed in clashes in the region in the past two weeks.

A Moscow-based dissident, interviewed by the Associated Press, said that the violence in Sumgait had been sparked by tensions between Azerbaijanis and Armenians.

"Thugs in Sumgait went up to people and asked them if they were Armenian or not," Mr Sergei Grigoryants told the news agency. "They started to beat people who said they were Armenians. Several people were knifed."

He added that according to information received from the Armenian capital, Yerevan, no one had been killed in the attacks, in which "several dozen" Azerbaijanis were involved.

Mr Mikhail Gorbachev, the Soviet leader, appeared to have succeeded in temporarily defusing massive demonstrations in Yerevan by promising to examine personally the Armenian claim to Nagorno-Karabakh over the next month.

Armenian activists in Athens with links to the region, said an

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Pickens offers $1.95bn for Homestake in bid to share gold boom

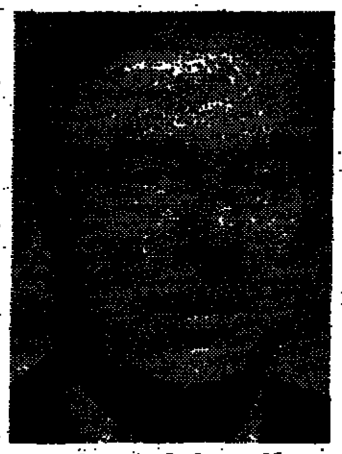
BY JAMES BUCHAN IN NEW YORK

MR T. BOONE PICKENS, the Texas takeover specialist, yesterday renewed his attempt to profit from the boom in US gold-mining with a $1.95bn bid for Homestake Mining, the country's largest producer.

Stock in Homestake, which is based in San Francisco, soared $3½ to $18 in early trading yesterday in response to an offer of $20 a share in cash from Mesa Limited Partnership, the oil and gas company controlled by Mr Pickens.

Mesa said it was part of a group which owned 3.5 per cent of Homestake. In a letter to the company, Mr Pickens said that Mesa was buying out its partners and was "highly confident" that it could find financing to purchase Homestake's remaining shares.

The Homestake bid is Mr Pickens' second try in six months to exploit the gold boom in Nevada, where big recent discoveries are creating a world-class US industry.



Pickens: audacious raids

Mr Pickens, who made his name through audacious raids on the stock of big oil companies in the early 1980s, last year launched a $3bn takeover bid for Newmont Mining, the diversified New York group which has the biggest holdings in Nevada.

The bid was thwarted by the intervention of Consolidated Gold Fields of the UK and the stock market crash left Mesa without a profit on its 10 per cent holding in the company.

Homestake, which operates the century-old Homestake mine in South Dakota and the McLaughlin mines in California, has a 25 per cent interest in the Round Mountain, Nevada's second-largest producing mine, and in two Australian properties.

The company produced 677,740 ounces of gold last year, but its earnings have been held back by high production costs in South Dakota and poor markets for its uranium and oil and gas operations. Homestake reported earnings of $45.7m last year.

Yesterday's bid for Homestake left Wall Street evenly divided. Analysts say that Mesa, which reported net income of $31.9m last year, is overstretched with capital tied up in Newmont Mining and Texaco among other companies.

They speculate that Mesa may be trying to force a higher bid or a recapitalisation. "It's even less serious a bid than the bid for Newmont," said Mr John Tumazos, an analyst at Oppenheimer in New York.

But Mr Nicholas Toufexis, an analyst at Prudential-Bache, believes that another bid is unlikely because Homestake is already highly valued. "Mesa is trying to get into the gold business," he said.

● Atlas, the New Jersey-based gold miner which is also fighting to retain its independence, yesterday announced a discovery of around 200,000 ounces of possible reserves at its Nevada property.

Trade gap increases pressure on Britain

By Philip Stephens and Simon Holberton in London

PRESSURE on the British Government to limit the size of tax cuts in its annual budget to be presented on March 15 intensified yesterday with the announcement of a sharp deterioration in the country's trade position during January.

The deficit on the current account of the balance of payments, which worsened steadily during 1987, widened to a record £905m ($1.6bn) in the month. Imports remained buoyant and exports slumped.

The size of the shortfall, which is expected to prove erratically high, reflected in part a sharp and unexplained reduction in recorded exports to the European Community, perhaps linked to the introduction of new customs procedures at the start of the year.

Taken with other recent indicators, however, the widening trade gap suggests that demand in the economy is still growing rapidly, with much of that demand being met by imports. The trend is likely to intensify official consideration of a further rise in interest rates to prevent the economy from "overheating."

Mr Robin Leigh-Pemberton, the Governor of the Bank of England, yesterday told a conference organised by the National Economic Development Office (Nedo) that the economy appeared to have shrugged off last October's stock market crash. "There is little sense of any hard landing; or indeed of any landing at all," he said.

The Treasury indicated that it remains unconvinced that the economy has been expanding too rapidly, adding that it still expected some slowing in the pace of growth later this year.

It is thought, however, that the main obstacle to an immediate

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Archbishop Tutu addresses a protest service in a Cape Town township at the weekend

Tutu vows to press battle on apartheid

BY ANTHONY ROBINSON IN JOHANNESBURG

ARCHBISHOP Desmond Tutu and a number of other leading South African churchmen yesterday vowed to take over the anti-apartheid struggle from the 17 opposition groups hit by last week's Government crackdown.

"We have shown it is still possible to take direct, non-violent action and not just speak about it," the Archbishop told a news conference, referring to the events which led up to his arrest for a brief period yesterday morning. Asked if churches would continue civil disobedience, he said: "We are not defying. We are obeying God. We ought to obey God every day and we are going to continue."

The 1984 Nobel Peace Prize winner, along the Rev Allan Boesak and dozens of other churchmen and journalists had been taken into custody by South African riot police who then fired water cannon at sitting demonstrators, including several black-robed churchmen.

The arrests came as police broke up a planned march on the Cape Town Parliament to present a petition protesting against last week's restrictions on 17 extra-parliamentary opposition groups.

The petition said the restrictions were "not only an attack on democratic activity but a blow directed at the heart of the church's mission." In a defiant passage the petition added, "we will explore every possible avenue for continuing the activities which you have prohibited other bodies from undertaking."

The churches, it added, would not stop campaigning for the release of prisoners or for the removal of bans on political organisations, or refrain from calling on the international community to apply pressure for negotiations.

After a brief service in St George's Anglican Cathedral, only 200 yards from Parliament, Archbishop Tutu, arm in arm with Mr Boesak, leader of the coloured branch of the Dutch Reform Church and Roman Catholic Archbishop Steven Naidoo, walked into the arms of the white riot police barring the road.

After being told by loudhailer to disperse, they were arrested under the law which prohibits demonstrations within one kilometre of parliament. On their release the churchmen were warned that they would be re-arrested if they attempted another march.

Local elections, Page 4
Continued on Page 20

Belgian friends rally to De Benedetti over SGB

BY TIM DICKSON IN BRUSSELS

MR CARLO De Benedetti, the Italian businessman embroiled in the increasingly bitter battle for control of Société Générale de Belgique, sprang another surprise in Brussels yesterday when he announced a deal with Mr André Leysen and Mr Pierre Scohier, chairmen respectively of the Belgian holding companies Gevaert and Cobepa.

The complex financial agreement effectively adds a further 2.2 per cent of La Générale's shares to the De Benedetti "camp" and, according to a spokesman for Cerus, his Paris-based financial holding company, lifts his total stake in Belgium's most powerful business institution to 47.2 per cent.

Possibly more significantly, as one leading analyst pointed out last night, it means that for the first time "Mr De Benedetti can now point to the fact that he has Belgian friends."

Yesterday's development failed to ruffle the outward calm of the rival Franco-Belgian alliance of shareholders, who claim to speak for 52 per cent of La Générale's shares and whose members are understood to have signed firm undertakings last week not to sell to Mr De Benedetti.

An executive of Compagnie Financière de Suez, the Paris based financial group which holds 27 per cent of La Générale, insisted yesterday that "our group is solid," though on a more conciliatory note he added that "we do not exclude in any way the possibility of negotiating with Mr De Benedetti" provided he did not try to "dictate the conditions."

The next move is likely to come from Suez, which is expected to announce in the next couple of days that it is calling for a special meeting of La Générale's shareholders where all parties will be forced to declare their hands. Under Belgian law, 20 per cent of the shares are required to call for an extraordinary general meeting.

Besides perhaps inching Mr De Benedetti closer to his target of outright control, yesterday's agreement with Cobepa and Gevaert helps to improve the Italian's "Belgian credentials" and may entice any remaining uncommitted shareholders.

Full details of the transaction have not been disclosed but it is assumed in Brussels that Gevaert has been able to realise a handsome profit on its 2.2 per cent stake and that Paribas, the French investment bank (which controls Cobepa), is moving closer to Mr De Benedetti.

Dealings in Société Générale shares in the Brussels forward market were suspended yesterday, though 107,000 shares were traded on the cash market at around BFr8,000.

U-turn by Générale champion, page 22.

Fidelity to lay off 800 workers

BY ANATOLE KALETSKY IN NEW YORK

FIDELITY INVESTMENTS, the biggest US mutual fund and discount brokerage concern, said yesterday it would lay off more than 10 per cent of its 7,600 employees in response to the industry-wide slump in new sales of stock funds and reduced volumes in the brokerage business.

Fidelity, which has about $80bn under management, is substantially larger than any of the other specialised mutual fund firms and its lay-off announcement had been eagerly awaited as a bellwether for the whole US retail investment industry after October's stockmarket crash.

In the event, the firm's cuts have proved to be less severe than some observers had feared. The firm's 800 redundancies are well below figures of up to 25 per cent, or 2,000 people, rumoured in the past few weeks.

After the jobs are lost, Fidelity will still be employing as many people as it did in the second quarter of 1987. This is in spite of a drop in industrywide mutual fund sales to $1.8bn in January and $1.2bn in December.

Two years earlier, in January 1986, monthly mutual fund sales were running at $13.1bn. Fidelity said its layoffs would mainly affect its Boston headquarters, where 530 people would lose their jobs.

In addition, the company said it planned to sack 150 employees in its main operations centre in Dallas, 50 in New York City and about 70 more in the rest of the country.

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Mock tries to cool Waldheim controversy

By Judy Dempsey in Vienna

MR ALOIS MOCK, the Austrian Foreign Minister and Vice-Chancellor said yesterday that the "boundaries of fairness and objectivity" over the continuing controversy surrounding President Kurt Waldheim "have been exceeded" and called for an end to "cheap doctrinal argumentation".

Leader of the conservative People's Party (OEVP) and a staunch defender of Mr Waldheim, Mr Mock was delivering the annual state of the nation address at the Belvedere Palace in Vienna.

Austria is preparing to commemorate the 50th anniversary of the *Anschluss*, the annexation of Austria by Nazi Germany on March 11 1938. The event, however, has been marked by controversy and disagreement over the role to be played by Mr Waldheim, who was found recently by an international commission of historians to have lied about his wartime activities.

It was originally decided he should address both houses of parliament. After opposition by the Socialist party, it was then agreed that he should make a speech in the Hofburg Palace, the President's official residence. This plan was scrapped last week, officially at Mr Waldheim's initiative but almost certainly due to pressure from many individuals who said they would boycott the state ceremony.

Mr Mock, yesterday said 1988 must become "a year of reflection for all us". He also called for tolerance and "responsibility towards our minorities" – a reference to the Jewish population.

Over the past few weeks, the increasingly anti-Semitic tone of the Neue Kronen Zeitung, a mass conservative daily which has steadfastly supported Mr Waldheim, caused deep concern among the Jewish community.

Meanwhile, Austrian radio yesterday reported that the Soviet authorities were changing their attitude towards Mr Waldheim. The radio said that Pravda, the Communist Party daily, had published an article describing how critical was the report drawn up by the international commission of historians. In an unusual remark, it said Mr Waldheim's support was crumbling.

This is the first time the Soviet media have made critical comments on the Waldheim controversy. The East European media have been largely silent as well, relying on selectively reporting what the Western media have written about Mr Waldheim.

Central bank sounds warning on Italy's budget deficit

BY JOHN WYLES IN ROME

THE BANK of Italy yesterday tried again to light a fire of concern under the Italian body politic about a budget deficit which it warned could push up interest rates and slow down production and investment later in the year.

The bank's warning in its latest economic bulletin is timed to coincide with the latest phase in the 1988 budget's seemingly interminable struggle for parliamentary approval.

Having been presented in September, rewritten by the Government in November, and delayed by two political crises, the budget was amended in the general direction of austerity by the Senate, and then recast in the direction of profligacy by the lower house, the Camera. This week the Senate starts to consider the Camera's amendments.

According to the Bank, it is virtually impossible to be precise about how much damage the Camera has done to the Government's initial deficit target of L103,500bn (£47bn). But its experts reckon that the overshoot is about the same as the L113,497bn by which the actual 1987 deficit exceeded the government of the day's original L100,000bn target.

The burden of covering this extra deficit would push the volume of government debt to be sold every month above L40,000bn a month. This was the Bank's first calculation last autumn of the bond sales necessary to roll over retiring debt, meet interest payments and to finance the originally estimated 1988 deficit.

The result of greater debt financing would be an increase in interest rates which in turn would cause "a slowdown in production and investments," warns the bank. It goes on to hint that emergency measures to attack the deficit may be needed once the final shape of the budget is known.

In the short term, the report acknowledges that the apparently smooth functioning of the economy may make the deteriorating situation less apparent. A rise of 2 per cent in industrial production in January, a broadly balanced current account in 1987, and a stable 5 per cent inflation rate have been seized upon by commentators and the stock market recently as signs of good health.

The absence of any signs of crisis and its own internal weaknesses make it virtually impossible for the Government to propose a wholesale rewriting of the budget in the Senate. If it succeeded, then the legislation would have to go back to the Camera for another reading when the Government would be vulnerable to further defeats of the kind which brought it down in February.

It is still not clear which provisions Mr Giuliano Amato, the Treasury Minister, will seek to amend in the Senate. But it is thought that he may seek a cut of L2,000bn-L3,000bn in the deficit by resurrecting a proposal to raise the tax on bank interest from 25 per cent to 30 per cent and by cutting health spending on drugs.

His only political strength seems to be the desire among both government and opposition parties to finish with the budget as quickly as possible so as to re-open the political crisis. Mr Giovanni Goria, the Prime Minister, is committed to staying in office only until the budget is adopted, after which his Christian Democrat party is expected to replace him with a more senior figure.

EC seeks to foster research centre links

By John Wyles

INITIATIVES are to be studied aimed at encouraging co-operation between universities and research centres in the European Community following a meeting in Palermo between ministers and officials from the Twelve.

The meeting agreed that impulses for inter-regional co-operation were needed so as to speed up the development of backward regions and of poorer member-states in the move towards the 1992 deadline of a fully integrated European market.

Unusually, the European University Institute of Florence has been given a leading role in studying forms of co-operation, with the help of a group of experts to be nominated by member-states and the European Commission.

Mr Emile Noel, who retired last year as the commission's powerful secretary general, is now president of the university.

Vassiliou for Greece

The newly-elected President of Cyprus, Mr George Vassiliou, will pay his first visit to Greece on March 13 for talks with Prime Minister Andreas Papandreou, Reuter reports.

Hungary works hard to raise $2.5bn in West this year

BY LESLIE COLLITT IN BUDAPEST

REFORM-minded Hungary is summoning all its powers of persuasion to obtain $2.5bn needed in Western loans this year to service a hard currency foreign debt of $17.7bn gross, Eastern Europe's highest per capita debt.

Western and Hungarian bankers report progress in Budapest's annual battle to avoid a Polish-style rescheduling of the foreign debt.

The latest successful mission on the credit front was to Tokyo for a $200m Samurai bond for Hungary which is likely to be finalised shortly. At the end of March the International Monetary Fund is expected to approve a one-year standby loan to Hungary of $350m. Topping off the good news is that negotiations begin next week with the World Bank for an industrial restructuring loan to Budapest of about $300m. The International Finance Corporation could be tapped for a further $50m.

Mr Ede Bako, managing director of the Hungarian National Bank is thus mildly optimistic about meeting this year's loan requirements. He cautions, however, that the $2.5bn needed is not yet "in our pockets".

The sum is made up of $2bn in maturities plus an expected current account deficit this year of $500m, down from $850m last year. The above loans, plus possible bond issues in West Germany and Switzerland as well as bank-to-bank credits, would meet half of Hungary's financial needs this year, he said. The other half will be made of syndicated loans.

Small wonder that the Hungarian national bank fervently hopes the international financial markets will react favourably to the positive signals on Hungary being emitted by the IMF and World Bank.

"I see no question marks for this year," Mr Bako said. But it would be a "different story" if the Hungarian Government's stringent austerity and reform programme introduced last September failed to produce results.

Preliminary statistics for January show that the hard currency current account was virtually balanced compared with a deficit of $50m in January 1987. Other indicators, however, point to serious problems which could limit company independence and hold up the restructuring of industry – reforms on which the IMF has placed great emphasis.

Managers of Hungarian state companies complained bitterly that the value added tax introduced last January did not lead to a lower tax bite on profits but that government deductions instead were still more than 70 per cent of earnings.

In addition loss-making companies are unable to obtain bank loans because of the Government's restrictive monetary policy. Rather than let them begin bankruptcy proceedings, however, the Government is sorely tempted to bale them out with subsidies as it does not wish a sharp rise in unemployment.

On the inflation front, an expected 15 per cent rise in prices this year is already estimated by Mr Bako to be running closer to 20 per cent. The state trade union recently warned the Government that the "politically tolerable" inflation level of 15 per cent could not be exceeded. It called on the Government to provide unemployment benefits for individual workers thrown out of jobs by economic restructuring and not only for groups of more than 10 unemployed.

Strike called by Solidarity wins pay rises

WORKERS IN a Polish railway repair plant won pay concessions yesterday after downing tools in response to a strike call by a branch of the outlawed free trade union Solidarity, opposition sources told Reuter in Warsaw.

Some 1,500 employees, nearly all the manual workers at the plant which employs 2,000 in the southwestern city of Wroclaw, switched off their machines at the start of the morning shift.

The management met a delegation and pledged to grant a demand for an extra Zl 3,000-Zl 4,000 (£4.50-£6) monthly within the next two to three weeks, the sources said.

In the fourth of a series, **Guy de Jonquieres** assesses British financial houses' preparations for the end of EC internal barriers

The City of London wakes up to the realities of 1992

EVER SINCE Britain joined the European Community 15 years ago, it has banged on doors in Brussels and other capitals to demand the removal of protectionist barriers which prevent UK financial institutions from competing freely in other EC countries.

Today those doors are beginning to open. Under the firm supervision of a British commissioner, Lord Cockfield, the Community is pressing forward with an ambitious programme to create by 1992 the sort of open market the UK says it wants.

The City of London is in a strong position to seize the initiative. It may be a little the worse for wear after the ravages of Black Monday, but it is confirmed as one of the world's foremost financial centres, boasting a wealth of capital, talent and technical resources unmatched in western Europe.

Yet, many of those in the UK who stand to gain most seem largely unprepared for the prospect of the dream becoming a reality. Although some institutions have begun to take "Europeanisation" more seriously, few have done any deep strategic thinking. And in much of the Square Mile, there is bewilderment, even hostility.

The London Stock Exchange, for instance, only cottoned on late last year that Brussels was up to something. "Suddenly, everyone woke up and said Europe is coming, it's going to change things," says a Stock Exchange staff adviser. "Now the whole City is sitting there with a long list of questions. But we're rather short of answers."

For Sir Nicholas Goodison, Stock Exchange chairman, the first priority is to curb unwarranted EC meddling. "Our main objective in Brussels is to ensure that Community legislation isn't obstructive," he says.

In Whitehall, Lord Young, Trade and Industry Secretary, while applauding the principle of the single market programme, has also sounded off about the dangers of excessive EC regulation and harmonisation. His remarks brought an angry riposte from Lord Cockfield, who accused him of failing to grasp that the guiding principle of the plan was sweeping liberalisation.

UK hesitation owes something to an ingrained suspicion that anything cooked up by Eurocrats is a recipe to extend their power at others' expense. However, it also reflects changed circumstances. Globalisation has fixed London's international horizons firmly on New York and Tokyo. The rest of the EC is regarded in parts of the City as populated by new boys in short trousers who have not yet learnt to do their sums properly.

Big Bang and its aftermath have also created domestic preoccupations. London has developed from being one of Europe's most lightly regulated financial markets to being among the most strictly policed. It is still adjusting – with obvious disgruntlement – to the burdens of compliance.

The City's composition has changed drastically. The previous predominance of UK securities firms has given way to a much more heterogeneous and cosmopolitan crowd. About 400 of the 600 banks operating in Britain today are foreign-owned.

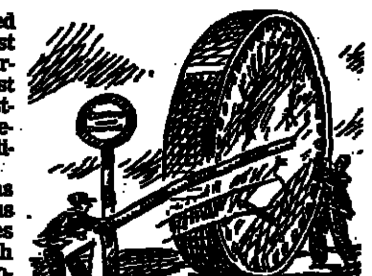
It is hardly surprising that the Government is having difficulty identifying a consensus on which to base its negotiating stance in Brussels. It is, of course, not alone in this dilemma. The French Government is undergoing Houdini-like contortions in trying to reconcile its new-found conversion to the free markets with a reluctance to accept some of the less convenient corollaries, such as a bigger US and Japanese presence.

Lord Young, whose department shares responsibility with the Treasury for the internal market programme, has formed a committee chaired by Sir David Scholey, chairman of Warburgs, to advise him. But the Government will have to decide exactly where Britain's strategic interests lie.

The key issue is whether to promote the role of the City as Europe's pre-eminent financial marketplace, or to place the emphasis on opening other European markets to UK institutions. These are not necessarily congruent goals. Indeed, some officials suggest, semi-seriously, that if the UK is committed to the former objective, it has little incentive to pursue the latter. Why encourage other European centres to set themselves up as direct competitors to London?

The tensions between the two objectives have already surfaced in the proposed EC second banking co-ordination directive, cornerstone of the internal market in financial services. In most respects this document, published by the Commission last month, aims to promote liberalisation by allowing credit institutions to operate freely throughout the EC under direct supervision by authorities in their home country.

There is, however, one exception. Still jittery after last year's crash, the UK insisted that securities transactions remain subject, for the time being, to supervision by authorities in the countries in which they were conducted. Keeping the London market firmly under national control – until other EC markets had introduced equivalent regulation – took priority over hastening the demolition of barriers.



Official ambivalence aside, how well placed are British financial institutions to exploit the potential of a more open European market? All the leading UK clearing banks and many insurance companies have agencies or branches in other EC countries, some dating back to the turn of the century.

More recently, both Lloyds Bank and the Midland have expanded by acquisition in West Germany, while the Equity and Law life insurance group, purchased last year by France's Groupe du Midi, has also carved out a niche in the West German market since it set up there in the 1970s.

In securities, Warburgs has maintained its historical ties with continental Europe and has been particularly active on the Swiss market through a joint venture, Warburg Soditic. It and several other bigger London firms, including BZW and Capels, have bought into French stockbrokers, while Hambros, the private banking group, has formed equity links with medium-sized banks around Europe.

Freed by recent changes in UK law to lend abroad, some building societies are starting to eye neighbouring markets, particularly Spain, with its large community of British expatriate home-owners. Abbey National is forming a joint mortgage venture with Winterthur, the Swiss insurance company, and the Halifax may follow suit. Unit trust groups, which will be freed by EC law to cross national frontiers from next year, are establishing operations in Luxembourg, which is bidding to become the EC's onshore tax haven after 1992.

However, many of these moves remain tentative. The EC has yet to define the rules for freer trade in several areas, including banking and mortgage credit. Many UK institutions suspect that the biggest obstacles to European expansion may only become apparent once the barriers at the frontiers have fallen.

As Mr Mark St Giles, managing director of marketing at the GT unit trust group, points out, sales and distribution channels in many other countries are rudimentary or closed to outsiders, while tax systems often discriminate in favour of local investments. "The European market isn't real except in the legislative sense that it will give you the right to do things," he says. "But actually doing them is 90 per cent of the problem."

If there is one market ready-made for UK institutions, it is insurance, where UK companies' sophistication and skills are widely respected. The EC has agreed to liberalise sales to corporate customers and Lloyds, which earns only 5 per cent of its premium income from continental Europe, is rubbing its hands in glee. "If I'm looking where to go for honey, it's got to be pre-eminently the EC," says Mr Peter Miller, Lloyds' former chairman.

As Europe's biggest insurance market, Lloyds stands to pick up business even if it does nothing. However, by no means all of it will flow to London. "It will require hard work by brokers and insurers to develop markets," says Mr Andy Gale, international adviser to Bowrings, part of Marsh and McLennan, the large US insurance brokers. "There are many other insurance companies in Europe which are extremely innovative and able to give the British a real run for their money on their own home ground."

Many of those in the UK who stand to gain most seem largely unprepared for the prospect of the dream of an open market being realised. In much of the City there is bewilderment, even hostility

How many UK insurance companies acknowledge this challenge or are equipped to confront it is less easy to say. Some are already well implanted in Europe, though not all of them see EC plans to permit policies to be sold directly from London as an unalloyed blessing. "Those of us with European operations will have to be very careful that we do not end up competing with ourselves," says Mr Kenneth Field, overseas legislation manager of Sun Alliance.

Others recognise the need to build bridgeheads in Europe. Mr Michael Butt, chairman of Eagle Star, which does three quarters of its business in Britain, talks grandly of EC expansion, principally through acquisitions. Right now, though, BAT group, Eagle Star's parent, seems more preoccupied with the US market, where it is bidding $4.2bn for the Farmers' insurance group.

In insurance as well as other financial services, success in capturing new European markets may be as much a question of attitude and outlook as of corporate organisation. For all the changes brought about by the new technologies, much of banking and finance remains a people business. The ability to speak foreign languages, to feel at ease with people of different nationalities, to read their coded cultural signals and to understand their needs may count for as much as keen pricing and technical virtuosity.

In terms of understanding each others' markets, most European financial institutions have to overcome a backlog of ignorance and even mutual mistrust. Where London enjoys a head-start is in the size of its market, its wealth of human resources and its cosmopolitan make-up.

It does not necessarily follow, however, that UK institutions will have a decisive advantage in other parts of Europe. Nor does it mean they will be invulnerable to challenges on their home ground from cross-Channel competitors.

London has, after all, developed rapidly as a major international market at least as much because regulatory changes encouraged a large influx of powerful players from overseas as because of any outstanding skill by the home team at rustling up new business abroad.

Part of its success is also due to the limitations of continental capital markets. Other European centres and firms know this, which is why they are racing to catch up; so do some UK institutions, which is why they are establishing themselves in Paris and elsewhere.

The question is who will be best placed to take advantage of falling EC barriers: the British, long accustomed to think of themselves as number one in financial services in Europe? The continentals, number two but trying harder? Or contenders from the US and Japan, many of whose manufacturers have already proved far more adept than their local competitors at treating Europe as a single market?

Previous articles in the series appeared on February 19, 23 and 29. Further articles will appear this week.

● In the table accompanying yesterday's article in this series, the value of DEUTSCHE BANK's December 1986 acquisition of BANCA D'AMERICA E D'ITALIA should have read $603m, not £603m.

Norway to freeze wages

NORWAY'S minority Labour Government, aiming to cut inflation and revive a sagging economy, yesterday called for a temporary freeze on wages and earnings, agencies report from Oslo.

Government leaders said they expected the proposal to be passed this week, taking retroactive effect from February 26. The freeze would be replaced later this spring by formal legislation limiting wages and earnings.

It was the most extreme anti-inflation measure since another socialist government froze prices and wages 10 years ago.

The Prime Minister, Mrs Gro Harlem, announced her intention last Saturday to introduce the wage legislation after the national employers' organisation closed a deal with the country's federation of trade unions giving workers wage increases and benefits amounting to roughly 5 per cent.

The agreement affected 350,000 union members in the private sector, but the proposed wage freeze would extend the agreement to most of Norway's workforce.

The bill raised a cry of protest from other unions that their own negotiations were cut off and superseded by a deal in which they had no say. Exemptions were made for teachers and nurses, who have staged sporadic strikes over the past several weeks and who were holding separate pay negotiations.

Under the proposed bill, prices would be controlled but not frozen. The Government's Price Directorate would monitor all price increases and fine companies if it felt they were raising prices too fast.

"We expect the law to last until next year's round of wage negotiations," Ms Anne-Lise Bakken, the Consumer Affairs Minister, told a news conference.

Norway's inflation rate is 7 per cent, while the economy has been hurt by falling prices for North Sea oil. Oil prices on the spot market have slipped below $15 a barrel, or $3 less than the Government forecast last autumn.

Although Mrs Brundtland's government lacks a majority in the 157-member parliament, the legislation is almost certain to win approval in a vote later this week with the likely support of the opposition Conservative Party.

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French President opposes Nato N-weapons plan

BY PAUL BETTS IN PARIS

THE FRENCH President, Mr Francois Mitterrand, yesterday expressed his disagreement with Nato's proposals to modernise short-range nuclear missiles in Europe and its "flexible response" doctrine.

Mr Mitterrand's statements in two separate newspaper interviews come on the eve of the Nato summit in Brussels this week. They are expected to reinforce the position of West German anti-nuclear lobbies and that of Mr Hans-Dietrich Genscher, the West German Foreign Minister, who has influenced the Bonn Government's hostile attitude to the modernisation of the short-range weapons.

In the aftermath of the intermediate range missiles (INF) treaty, West Germany feels it has become uniquely vulnerable to battlefield nuclear weapons.

However, Mr Mitterrand's open criticisms of the Nato proposals are clearly designed to underline the pre-eminent role the President plays in defining French defence policy. His statements have unsettled further his relationship with Mr Jacques Chirac, the Prime Minister, already shaken by the run-up to the presidential election this spring.

Mr Chirac, who will attend the Nato summit with President Mitterrand, is expected to outline his position on French foreign policy today. But he is expected to avoid open controversy with Mr Mitterrand on the issue.

In his statements yesterday, Mr Mitterrand argued that it would be paradoxical to support the modernisation of short-range nuclear weapons. "At a time when the two superpowers are reinforcing their dialogue, people expect Europe to give out positive signals," he said. The urgent priority for European security was to negotiate a balance of conventional forces.

Mitterrand: priority for balance of conventional forces.

Mr Mitterrand, the first French President to attend a Nato meeting in the 22 years since General Charles de Gaulle took France out of the alliance's military structure, is also expected to express criticism of Nato's "flexible response" doctrine which implies the use of nuclear weapons for tactical purposes before resorting to strategic weapons.

Papandreou for talks with Ozal in Brussels

GREECE'S Prime Minister, Mr Andreas Papandreou, will meet his Turkish Premier counterpart, Mr Turgut Ozal, after the Nato summit in Brussels this week, Greek officials said yesterday, Reuter reports from Athens.

They said Mr Papandreou would leave for the summit today and see Mr Ozal after the alliance talks end on Thursday.

The meeting is regarded in Athens as an important follow-up to discussions the two leaders had last month during an economic seminar in Davos, Switzerland.

At those talks they agreed to take several steps to improve relations.

Mr Papandreou told members of his ruling Socialist Party at the weekend that the Davos meeting had been a success for Greek strategy and an important step for independence and peace.

He noted that the two countries had narrowly averted a war over disputed rights in the Aegean Sea last March and had started a dialogue.

The Prime Minister said he planned to raise with Mr Ozal the question of more than 1,600 Greek-Cypriots missing since the 1974 Turkish invasion of Cyprus.

Mr Ozal says Ankara has no record of any such missing persons.

Political analysts said Mr Papandreou and Mr Ozal were expected to approve the appointment of two joint committees, one dealing with trade and tourism and the other with Cyprus and the Aegean.

W German unions bridle at pay cut proposal

BY DAVID GOODHART IN BONN

MR OSKAR LAFONTAINE, the Prime Minister of the Saarland region of West Germany and a rising star in the opposition Social Democratic Party (SPD), has attracted the wrath of the West German unions by saying that cuts in working time will only create new jobs if accompanied by cuts in pay.

He was immediately criticised by the public service workers' unions which are today hoping to complete negotiations on reducing working time (from the current 40 hours a week) and increasing pay for their 1.5m members.

The Saarland Premier subsequently stressed that reduced pay for reduced hours should only apply to better paid workers and he quoted the example of a 40-year-old father of two earning from DM4,700-DM5,000 (£1,570-£1,670) a month.

Mr Lafontaine, usually classified as on the left of the SPD, was backed up by a number of SPD pragmatists including Mr Klaus von Dohnanyi, Mayor of Hamburg, who, like Mr Lafontaine, sits on the employers' side in negotiations with local government unions.

Despite the sluggish growth of the West German economy and the upward trend in the unemployment figures, the issue of shorter working time has moved closer to the centre of political debate than at any time since the push for the 35-hour week by the metal workers' union, IG Metall, in 1984.

However, as Mr Lafontaine's intervention suggests, the debate is becoming far less clear cut. The unions still cling to the belief that cuts in working time create new jobs despite the increase in unit labour costs. IG Metall, for example, claims that the 1984 reduction in working time from 40 to 38.5 hours created 80,000 jobs.

Although the employers contest the link, they have not been noticeably tough in resisting reduced hours claims; witness last week's 36.5 hour week won by the steelworkers. The Government, too, has been much less forceful than in 1984 in contesting the union arguments and, with unemployment at nearly 10 per cent, some observers believe ministers might even support Mr Lafontaine's ideas of cutting working time and pay.

However, there remains considerable anxiety in the Government and employers' organisations about labour costs – boosted by the increasingly expensive health service – and about the dwindling of the active workforce in the 1990s. As one employers' representative said yesterday: "Soon we will be talking about longer not shorter hours."

Soviet play defended

BY CHRISTOPHER BOBINSKI IN MOSCOW

PROMINENT Soviet theatre directors and actors have defended a new historical play in which Lenin is portrayed as denouncing Stalin in a dispute which reflects the internal struggle for freedom of artistic expression and the campaign to de-Stalinise the Soviet system.

In a letter published yesterday in Pravda, the Communist Party newspaper, the directors, Georgy Tovstonogov and Oleg Yefremov, the actor, Kiril Lavrov, and five others rebut the charge, also published in Pravda, by three historians that the interpretation of events in the play by Mikhail Shatrov was similar to that of "bourgeois" historians.

In an indication of how public debate has become freer, the theatre group criticised the historians' attack for using ideological labels and worn-out cliches to describe the play, Onward Ever Onward, at the end of which Lenin apologises to the audience for failing to prevent Stalin's rise to power.

The play was published last month in the journal Znamya and is to be staged this summer in Moscow and Leningrad, but the campaign of criticism appears designed to prevent its appearance.

Publication of the theatre group's letter indicates that the issue is far from decided and that the play itself has powerful backers.

Ireland takes up cudgels in defence of the spud

BY KIERAN COOK IN DUBLIN

IRELAND is digging in for a protracted war. Knives and forks at the ready, there's going to be a determined drive against that most sinister of enemies, the foreign potato.

The first shots in the battle of the spud were fired yesterday at a special lunch given by the Irish Horticultural Development Board. Potatoes were centre plate as the board, using the slogan "Irish Potatoes, Great All-Rounders", extolled the virtues of the home-grown spud.

Ireland grows and markets more than 350,000 tonnes of potatoes each year. Yet in 1987 more than Ir£10m(£9m) worth of potatoes were imported plus an additional Ir£17m of processed chipped potatoes.

The situation, concerning as it does one of the centrepieces of Irish cuisine, has caused understandable national angst. There have been allegations of potato dumping from countries as far away as Cyprus.

Now the Horticultural Board has decided to go on the offensive. It plans to distribute more than 100,000 leaflets to consumers with details of the virtues of varieties grown at home. For potato aficionados, these include such names as Kerr's Pink, Pentland Dell, Golden Wonder, King Edward, Record and Ireland's very own hybrid spud, Cara.

Summit unlikely to heal rift

BY WILLIAM DAWKINS IN BRUSSELS AND DAVID MARSH IN BONN

WEST GERMANY and France have clashed with the US and Britain over Nato's plans to modernise its remaining European-based nuclear weapons, days ahead of this week's summit of the alliance's 16 heads of government.

Senior UK officials said the two-day meeting, to open in Brussels tomorrow, was unlikely to solve the rift, while their counterparts in Bonn spoke of the Federal Republic being pitted against "coalition of the nuclear weapons states".

The differences call into question Nato's efforts to present a solid strategy in the wake of the recent US-Soviet accord to scrap land-based intermediate range nuclear weapons in Europe, the main reason why the summit is being held.

Formally, all Nato members are committed to a 1983 decision to upgrade nuclear weapons, including the US Lance missiles based in West Germany. The argument put forward by the UK, and more cautiously by Washington, is that Nato should press ahead with modernisation rather than moving on too fast to negotiate cuts in short-range nuclear weapons.

UK diplomats yesterday said that while no specific decisions on which systems to modernise need be taken until next year, Mrs Margaret Thatcher, the British Prime Minister, will be pressing for a strong general commitment. She sees no point in seeking more reductions in the nuclear arsenal until there is a balance in conventional forces and a ban on chemical weapons.

However, the reality which has been emerging with increasing force in recent months is that Bonn wants to put arms reduction and maintaining a dialogue with Moscow well ahead of any pledge to strengthen Western defences, while France would like to see modernisation plans pushed even more into the background.

These differences surfaced over the wording of the summit communique at a drafting session in Brussels. Bonn's position reflects the strong desire of Mr Hans-Dietrich Genscher, the West German Foreign Minister, to maintain the momentum of arms reduction talks between the US and the Soviet Union.

Backed by sizeable sections of West German public opinion, Bonn wants to postpone any question of upgrading the Lance missiles on its soil on the grounds that this would contradict the spirit of present arms control talks.

President Ronald Reagan agreed to put aside for the time being any differences with Bonn over the future of Lance at talks in Washington with Mr Helmut Kohl, the West German Chancellor, 10 days ago. Yet military experts in Bonn say the issue will continue to be a deeply divisive issue for Nato in coming months.

Poland's ombudsman is swamped with complaints

OLAND'S first ombudsman has een in office for only six weeks, ut has already received more han 13,000 letters asking for elp, Reuter reports from Warsaw.

Grievances range from the way ebra-crossings are painted in oznan to small-town disputes ver land and property and, most ften, the long wait for state partments.

Those complaining include ensioners unable to make ends neet, a bridge fanatic barred rom playing and a Solidarity rade unionist who said he lost is job because of his politics.

They all turn to Mrs Ewa etowska, a lawyer in her 40s ho used to have time to enjoy lassical music but now takes her tters home to read on Sundays.

She took office in January, owing to champion the rights of ndividuals and defend the weak rith the shield of the law. But he is struggling to take a more ragmatic approach.

Speaking from her small office n the Sejm (parliament) building n central Warsaw, with sacks of nail piled just inside the door, he said: "They think of me as n enormous hand in Warsaw hich will reach into the provinces and fix everything: flats, elephones, even medals (which ward pensioners extra bonuses).

"It's disastrous and I am disessed because if they swamp ne with such letters I won't chieve what needs to be done," he added, throwing another bunle of letters on the table.

"There is a lot that should be one. There is a serious social ickness, a crisis of confidence in verything: in the Government, n the organs of justice, in all uthorities."

Mrs Letowska is empowered to perate independently of other tate or government offices, but acked by parliament can emand their co-operation in esolving cases.

She can intervene in cases efore the courts, and if she feels an individual's rights have been infringed, may initiate administrative, civil or criminal proceedings.

An organisation she finds guilty of a violation is obliged to undertake to make amends within 30 days.

"They think of me as an enormous hand in Warsaw which will reach into the provinces and fix everything: flats, telephones, even medals. It's disastrous because if they swamp me with such letters I won't achieve what needs to be done."

However, she is supposed to respect the independence of the judiciary, and is restricted by state security interests.

Poland was the first Eastern bloc country to appoint an ombudsman in a series of innovations which aim to liberalise society and politics.

Other moves include the introduction of a referendum and the formation of an advisory Council to give independent moderate voices the ear of Polish leader General Wojciech Jaruzelski.

Gen Jaruzelski is seeking to bring about national reconciliation after the suppression of the Solidarity labour movement under martial law in 1981.

Such steps are rare in a Communist country, where voices of dissent are not often tolerated and social grievances disappear in a welter of bureaucracy.

Critics from the opposition say the referendum, tried last November to assess national support for proposed reforms, was manipulation of the public and Gen Jaruzelski's Consultative Council merely hot air.

They have little faith in the yet-untried powers of the ombudsman and Mrs Letowska is the first to admit it could be months before her work has any effect.

"I am not an optimist," she sighed. A relatively clear-cut case concerning local administrative blunders in a land dispute "will probably take several months to deal with."

Not only the sheer number of issues being raised but also her awareness that she is seeing only one side of the story prevents her from tackling each individual case.

However, she added: "Some cases typify a broader problem. I am hoping to have a television programme once every three months to air those problems, adding moral and didactic elements."

She has been asked to intervene in a handful of political cases by draft resisters, Solidarity activists seeking legal recognition and opposition people claiming harassment.

As far as the draft resisters are concerned – who request civic duties as an alternative to the obligatory two years in the army – she is studying practice in other countries.

But she has said that she is not competent to intervene in the case of independent trade unions trying to establish themselves alongside the government-sanctioned ones.

The official OPZZ unions replaced Solidarity under the same 1982 law which stipulates that only one union may operate in any one place of work.

Mrs Letowska, who has no party affiliation, has a team of 40 helpers, among them two retired Supreme Court judges and other specialists in constitutional and administrative law.

Delhi puts budget emphasis on rural poor

By John Elliott in New Delhi

THE Government of Mr Rajiv Gandhi last night unveiled a package of fiscal measures aimed at stimulating India's economic growth and increasing the Government's popularity among India's rural poor.

Mr Narayan Datt Tiwari, the Finance Minister, presenting the country's annual budget, announced measures including improved agricultural credit, increased bank financing, reduced fertiliser prices, higher subsidies, and an increase of 44 per cent in direct government spending on agriculture above last year's budget estimates of Rs4.69bn (£205m). This is 25 per cent above the current year's expected agricultural expenditure out-turn of Rs5.36bn.

The aim is to help rebuild the most important sector of the country's economy, hit by the worst drought for over 25 years. This marks a swing from earlier fiscal policies which stressed help for emerging middle classes and industry.

Together with other efforts in the budget to stimulate demand, this should enable Mr Gandhi prepare for the country's general election which is due at the end of next year.

A good monsoon this summer, coupled with economic growth recovering from its current low point of 1 to 2 per cent, would help Mr Gandhi to undermine the policies of opposition parties which have been partly built on a tide of frustration and resentment among farmers.

The cost of this approach, which is not being offset by higher taxes, is a rising budgetary deficit and a lack of initiatives to curb government spending. For the coming financial year the target is a budgetary deficit of Rs74.84bn on total expenditure of Rs735.60bn. This is 23 per cent above the current year's Rs60.80bn deficit.

Mr Gandhi promised a year ago that the current year's figure would not rise above Rs56.88bn, and as recently as a month ago government officials said they hoped to keep to this pledge. But the cost of the drought, plus big increases in subsidies and debt repayments, made the target unrealisable, and will help push up next year's deficit.

Interest payments on domestic and foreign borrowings are estimated at Rs141bn for next year, having risen in the current year from an estimated Rs106.5bn to Rs114.5bn. Major food, fertiliser and other subsidies are similarly estimated at Rs63.91bn for next year having risen in the current year from an estimated Rs47.8bn to 53.7bn.

Defence expenditure is expected to rise to Rs130bn next year, having been reduced by Rs5bn in the current year to Rs120bn from estimates of Rs125bn. However these figures are believed to obscure the country's real defence costs, including the Sri Lanka peace-keeping operation.

Botha's new Boers head for a Transvaal trouncing

Anthony Robinson on prospects of by-election wins for the far-right

OFFICIALLY South Africa is a *tweetalige* or bilingual country. But there have been few concessions to the English language during the fiercely fought by-elections in the rural Transvaal *platteland* seats of Standerton and Schweizer-Reneke where voting takes place tomorrow.

This is real Afrikaans-speaking Boer country where knobbly faced farmers carry huge beer bellies, drive *bakkies* (battered pick-up trucks) and wear short trousers and knee-high socks. At home their ample wives pad bare-foot around the house and cook sticky-sweet delights like *koeksusters* and thick *boerewors* sausages. Its roots are immortalised in the novels and short stories of the great Afrikaner writer Herman Charles Bosman.

It is a world where everybody, and especially the blacks, knows his place, but which is now believed to be threatened by the ruling National Party's long trek away from the simple certainties of old-style apartheid.

This is why at Standerton and Schweizer, and next month at Randfontein in the Johannesburg outer suburbs, the NP is on the defensive. It lost all three of these former "Nat" strongholds in the whites-only elections last May to the Conservative Party, which picked up all its 22 seats in the Transvaal *platteland*.

It also won 43 per cent of the vote, but no seats, in the adjacent Free State. The NP, with 52 per cent of the overall vote in May, won 127 out of the total 178 seats in the white House of Assembly but holds many of them by wafer-thin majorities.

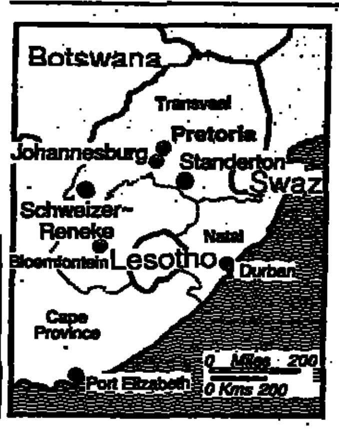
While Mrs Margaret Thatcher, President Ronald Reagan and other world leaders were wringing their hands about the government's latest crack-down on extra-parliamentary opposition last week, President PW Botha – head of party, state and government – flew to Standerton to defend his confusing mixture of coercion and reform against domestic right-wing critics.

For CP supporters – and the even further right Herstigte Nasionale Party and the bully boys of the Afrikaner Resistance Movement (AWB) – Mr Botha is not seen as the crusher of South African liberties but as a left-wing heretic, if not an actual traitor to the Afrikaner *volk*.

Standerton has great symbolic significance for the NP. It was here that the "Nats" underlined their 1948 electoral victory by unseating General Smuts, the war-time statesman, prime minister and leader of the now-defunct United Party.

After 40 uninterrupted years in power, the NP has been pushed by the demographic, economic and social realities of South Africa into a policy which differs little in substance from that of the UP of that time. The Nats, who won back South Africa for the Afrikaners, are now proposing a form of multi-racial co-operation and power-sharing. This was rejected in 1948, and again in May last year when more than 40 per cent of the Afrikaner electorate voted CP.

The Government is now kept in power by an informal alliance between middle class, better-educated, urban Afrikaners and "English speakers" - including many Jews and other non-Afrikaner former supporters of the liberal-leaning Progressive Federal Party who defected to Mr Botha's party last May.



The outcome of the two hard-fought by-elections this week at Schweizer-Reneke and Standerton could hang on reactions to South Africa's first-ever televised political debate. The debate between Mr F.W. de Klerk, the Transvaal National Party leader, and Dr Andries Treurnicht, the right-wing Conservative Party leader, was pre-recorded for showing last night. Mr de Klerk is expected to lambast the CP for its links with the paramilitary AWB while Dr Treurnicht is expected to accuse the Government of selling out the white man.

This means that the NP is no longer an Afrikaner tribal party. In this, too, it resembles the somewhat uneasy Afrikaner/English-speaking amalgam which characterised the UP, and ultimately led to its disintegration.

The CP in Standerton is fielding Mr Hennie de Ville, who won in May only to be disqualified on a technicality because he was still town sheriff at the time. The CP hopes to repeat its victory, and go on – like the NP of old – to replace the Government and create a future South Africa based firmly on the principles of the past.

The chances are that at Standerton, and at Schweizer, where the CP candidate Dr Piet Mulder is the son of the late Dr Connie Mulder, the CP will win again. There is no mistaking the drive and enthusiasm behind the CP campaigns. This contrasts with the professional but basically defensive NP, which is fielding lacklustre candidates in both constituencies.

The NP would be disappointed by, but could live with, a re-confirmation of the CP's hold over the platteland – provided the CP did not increase its majorities and the NP held on to its core support. Ultimately it is control over the more numerous urban seats which counts.

What NP leaders really want is to retake at least marginal Schweizer (a CP majority of 191 votes in May) and demonstrate that the CP bandwagon has stopped rolling. This looks out of their grasp at present. But it will not stop them pressing stoically on in the hope that faster economic growth will bail them out by the time of the next general elections in 1990.

There is no mistaking the drive and enthusiasm behind the CP campaigns. This contrasts with professional but basically defensive NP

Shultz met by Jordanian scepticism

By Tony Walker in Amman

MR GEORGE SHULTZ, the US Secretary of State, yesterday made his second visit to Jordan of his current Middle East shuttle, but there was no indication that he was making progress in his attempts to revitalise the stalled peace process.

Jordanian officials were sceptical of Mr Shultz's ability to persuade the divided Israeli coalition Government to agree to a formula for peace negotiations that stood any chance of being acceptable to Arab regimes.

Mr Shultz has been discussing the outline of an initiative that envisages an accelerated process of Palestinian self rule in the West Bank and Gaza Strip, and negotiations on the final status of the territories within a specified time.

Arab states are demanding an international conference attended by parties to the dispute plus the five permanent members of the UN Security Council to facilitate the resumption of peace efforts.

Meanwhile, a senior Jordanian official, briefing US reporters travelling with Mr Shultz, has acknowledged that the continuing strength of the Palestinian uprising in the occupied territories has enhanced the status within the Arab world of the Palestine Liberation Organisation.

PLO officials, buoyed by events in the occupied territories, say they plan to push for independent status at any Middle East peace conference, rather than nominating Palestinian surrogates to be part of a joint delegation led by the Jordanians.

The US Secretary of State flew to Israel yesterday afternoon after his meeting with Jordan's Crown Prince Hassan and Prime Minister Zeid Rifai. He is due in London today for a meeting with King Hussein before flying to Brussels for this week's Nato heads of government summit.

● Mr David Mellor, Britain's Minister of State for Foreign Affairs, held talks in Jordan yesterday with Prince Hassan and Mr Rifai.

● The General Assembly was to convene last night an emergency session to discuss US efforts to close the UN Mission of the Palestine Liberation Organisation, AP reports. The head of the UN Arab Group said on Sunday that if the US insists on closing the PLO Mission, the General Assembly should vote to leave New York for Geneva.

Ozal in Tehran for round of bilateral talks

MR TURGUT OZAL, the Turkish Prime Minister started a visit to Tehran on Sunday where he is due to meet Mr Hossein Mossavi, his Iranian counterpart, for talks that are likely to focus on bilateral issues rather than the regional conflict, **Jim Bodgener** writes from Ankara.

Turkey is increasingly trying to adopt a position of "active neutrality" in the war between Iran and Iraq. However, talks have centred on economic matters, although Iranian co-operation is being sought to curb cross-border infiltration by Kurdish nationalist guerrillas into Turkey.

Mr Ozal and Iran's Prime Minister Hossain Moussavi were expected to sign an agreement today on the construction of a \$2.5bn-\$3bn Iranian export pipeline through Turkey.

Japan housing starts

Housing starts in Japan rose 19 per cent in January over the same month last year to 111,376 units, the Ministry of Construction announced yesterday, AP-DJ reports from Tokyo. The rise follows 20.8 per cent year-on-year growth in December, and marks the 21st consecutive month of year-on-year gains.

Laotian-Thai talks

Laos will send a delegation to Bangkok on Thursday for talks on settling a border dispute, a Thai Government spokesman said yesterday, AP reports from Bangkok. On Febuary 19, the two countries began a truce in fighting for a stretch of hills. Hundreds of soldiers died in three months of fighting.

Sihanouk changes mind over leadership

BY ROBERT THOMSON IN PEKING

PRINCE Norodom Sihanouk has apparently reversed his decision to resign as head of the Kampuchean resistance coalition after "insistent demands" from his partners that he reconsider.

The unpredictable Prince, who resigned "irrevocably and irreversibly" a month ago, was reported by the Chinese news agency, Xinhua, to have changed his mind and to be willing to meet Hun Sen, the Kampuchean Prime Minister, for another round of peace talks.

Prince Sihanouk resigned after Son Sann, the nationalist leader and his coalition partner, accused him of committing treason by meeting Hun Sen. Diplomats generally believed that the resignation was an attempt to win support from the coalition and China for further meetings with the Kampuchean leader.

China has made no public statement of support for the talks, other than to say that the Prince is free to do as he wants, though it is clear that Peking fears the meetings are giving the Vietnamese-backed Kampuchean regime undue recognition.

Son Sann and the third coalition partner, Khieu Samphan, the Khmer Rouge representative, had urged the Prince to reconsider his resignation, but have not given him full public support for further talks.

The Prince needs the coalition to realise his ambition of again leading Kampuchea, while the coalition needs the Prince to add lustre to its international profile, which is already tarnished by the presence of the Khmer Rouge, infamous for its murderous rule in Kampuchea under the leadership of Pol Pot.

Iraq and Iran raid each others' cities

By Our Middle East Staff

IRAQ yesterday retaliated against two Iranian surface-to-surface missile strikes on Baghdad with air raids on Tehran in a continued escalation of reciprocal exchanges threatening a resumption of the "war of the cities" involving civilian and economic targets.

The official Islamic Republic News Agency said that a hospital had been hit in the attack but gave no other details.

The sudden flare-up, which began last Saturday with Iraqi air raids, is seen by Western diplomats and analysts as reflecting Iraq's mounting frustration over the failure of diplomatic moves to bring an end to the conflict and the stalemate on the 730-mile front where Iran has failed to muster the manpower to mount a serious offensive.

Mr Ali Akbar Velayati, Iran's Foreign Minister, yesterday appealed to Mr Javier Perez de Cuellar, UN secretary-General, to intervene to stop Iraq's raids, according to Tehran Radio.

Two Iranian missiles – believed to be Soviet-manufactured Skud Bs supplied by Libya or Syria – landed early yesterday in residential districts killing many people, according to Baghdad Radio.

The official Islamic Republic News Agency in Tehran said that Revolutionary Guards had fired three missiles before dawn yesterday. One apparently failed to reach the Iraqi capital.

An Iraqi war communique issued yesterday said that Iranian artillery had shelled residential areas in Basra, the beleaguered port on the Shatt al Arab waterway and also Khaniqiun, a border town 80 miles north-east of Baghdad.

Senegal election dispute sparks violent challenge

BY SIMON CLARKE IN DAKAR

A STATE of emergency was declared in the capital Dakar yesterday by the newly re-elected Senegalese Government under President Abdou Diouf.

The president won a new five-year term following the elections on Sunday, but the result has been challenged by the main opposition candidate, Mr Abdoulaye Wade.

Violence began yesterday morning and spread through the capital. Trouble started when riot police raided university halls of residence at dawn, breaking down doors and throwing tear-gas into the rooms.

Thirteen students were reportedly beaten up and arrested. Soldiers cordoned off the university area as crowds of supporters of the opposition Senagalese Democratic Party (PDS) gathered near the Independence Monument to march on the presidential palace.

Military units stationed themselves along the route armed with tear-gas and batons while roads into the centre of Dakar were blocked with armoured personnel carriers mounted with machine-guns. A crowd of more than 500 young PDS supporters threw stones at police and passing vehicles before being dispersed with tear-gas grenades.

Violence spread through the residential quarters after news emerged of a huge victory for President Diouf and the Socialist Party. Groups of youths stoned buses spreading north through the city. Riot police were deployed in mobile units as demonstrations continued.

At lunchtime the Government declared a state of emergency, announcing that force would be used to break up gatherings if necessary.

Hong Kong-UK defence funding talks collapse

BY DAVID DODWELL IN HONG KONG

LAST-DITCH negotiations between Hong Kong officials and staff of the UK Ministry of Defence over the funding of Britain's 8,000-strong garrison in Hong Kong collapsed yesterday.

Failure means that the Hong Kong budget for 1988, to be presented tomorrow, will make no provision for the garrison, which at present gets three quarters of its HK\$2.25bn (£163m) annual funding from Hong Kong taxpayers. Instead, an as yet unspecified contingency fund will be set up to cover the garrison's day-to-day costs.

Britain's negotiating team, which arrived last week with compromise proposals they thought would break a deadlock that goes back to July last year, were packing their bags last night after four days of talks that may not have been entirely fruitless.

The negotiations over a defence costs agreement to replace the current seven-year deal that expires at the end of March have become a trial of strength between the Hong Kong administration and Britain's Ministy of Defence, and it is unclear still now who in the end is likely to win.

It is understood that Hong Kong officials are insisting that the local share of funding of the garrison should be reduced immediately to 60 per cent, and then should fall steadily on a sliding scale up to 1997, when it will be replaced by troops from China's People's Liberation Army.

British officials have apparantly accepted the idea of Hong Kong paying a declining share of costs up to 1997, but are unwilling to make an immediate cut to 60 per cent.

Hong Kong officials have adopted an intransigent position in part because of resentment among local political bodies over what they see as a subsidy for Britain's armed forces.

AMERICAN NEWS

Panama opposition strike call unheeded

BY DAVID GARDNER IN PANAMA CITY AND LIONEL BARBER IN WASHINGTON

THE OPPOSITION to Panamanian military strongman Gen Manuel Antonio Noriega showed little sign that it could muster the strength to oust him, as yesterday's business-called strike started weakly.

Despite a call by the main opposition parties to overthrow the Government through an indefinite stoppage, most local industry and commerce appeared to be working normally yesterday.

From the international banking centre to the downtown markets, rows of half-open shutters testified to the fence-sitting attitude of Panama's merchant class, while trade unions appear to have ignored the strike call.

Practically all opposition media have been closed by the 15,000-strong National Guard, the de facto power in Panama, weakening the strike movement's doubtful ability to mobilise.

The Civic Crusade, the Panamanian Chamber of Commerce-led group organising the movement, appealed for outside help, principally from the US, to get rid of General Noriega.

The main opposition leaders, three-times former President Arnulfo Arias, the 87-year-old right-wing populist, and Dr Ricardo Arias Calderon, the Christian Democrat leader, sent a message from Miami backing the strike.

"Our country has fallen into the hands of the Narcomilitary," they said, referring to Gen Noriega's recent indictment by two US federal grand juries on narcotics trafficking charges.

Mr Eric Arturo Delvalle, the figurehead civilian President deposed by Gen Noriega last week after he had tried to sack the general as head of the National Guard, sent a taped message to a US television network, saying he was still in Panama, in hiding, and still its rightful leader.

Gen Noriega, along with the new military-backed President, former Education Minister Mr Manuel Solis Palma, was meanwhile putting the finishing touches to a Cabinet reshuffle.

Apart from Foreign Minister Mr Gorge Abadia, the two technocrats in the cabinet, Planning Minister Mr Ricaurte Vazquez and Finance Minister Mr Hector Alexander, are the only ministers likely to be retained, military officials say.

Mr Vasquez, respected as an independent, is currently in the Far East looking for credit to stave off Panama's outright bankruptcy.

Panama has no central bank and is a dollar economy. Its treasury has run out of cash and it is in arrears on $5bn foreign debt.

The Reagan Administration is reacting cautiously to the political crisis in Panama in an attempt not to escalate tensions between the two countries.

President Reagan is set today to declare that Panama, with several other countries, has failed to take adequate steps to control drug trafficking. But at this stage he is unlikely to impose maximum trade and economic sanctions, according to a report yesterday in the New York Times.

The President is required to certify under a 1986 anti-drug law whether countries are co-operating in combating narcotics trafficking.

Amex chief proposes debt relief agency

By Lionel Barber in Washington

MR James D. Robinson, chairman of American Express, the Wall Street investment bank, yesterday unveiled what he described as a comprehensive plan to solve the world debt crisis.

The Robinson plan calls for the creation of a multi-national agency – the Institute of International Debt and Development – which would offer to buy up Third World Debt from commercial banks at a sizeable discount in return for high-quality obligations issued by the agency.

The idea of an all-embracing institution buying up shaky Third World loans runs against the trend for major debtors which, while expressing solidarity with each other, seek to be treated differently. Creditors have also preferred to proceed "case-by-case."

The US Treasury is opposed to any form of debt relief facility. American Express itself has made provisions in its reserves of around $1bn for losses on its Third World debt.

Mr Robinson outlined his proposals in a speech to the Overseas Development Council in Washington. Calling for an end to "muddling through", Mr Robinson said the agency – IIDD in short-hand – would largely be funded and controlled by the US, Japan and other industrialised countries.

He said IIDD would operate as a joint venture between the International Monetary Fund and the World Bank and draw its staff and managing director from them. The agency would also subordinate the debt it bought from commercial banks to all new debt issued, opening up new sources of credit for the debtor country.

Brazil's loans deal wins approval from industrialists

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZILIAN industrialists yesterday gave a guarded welcome to the preliminary deal on the country's $70bn commercial bank debt as a further step towards normalising the country's relations with the international financial community.

But the partial agreement, reached in New York last weekend, has provoked criticism from some politicians and economists.

The deal, which established the amount which banks may lend under the new agreement as well as the interest rate, was described as "not the best terms, but the best that could be achieved" by Mr Mario Amato, head of Fiesp, the powerful Sao Paulo industrialists' federation.

Banks' share of the financing gap for 1987, 1988 and the first half of 1989 has been set at $5.8bn. The interest rate margin is to be 13/16 percentage points above money market rates.

Mr Mailson da Nobrega, Brazilian Finance Minister, and Mr Fernando Milliet, the central bank president, who negotiated the agreement were praised by President José Sarney.

However, the terms of the accord, which included a $700m interest payment to be made by Brazil this week, came in for strong criticism from several economists and leaders of the majority Democratic Movement Party (PMDB) that dominates both houses of Congress.

Senator Severo Gomes, one of the party's leading specialists on the debt issue, said: "It is everything we did not want. They have settled the short term, threatening our reserves, which are still very low, on the basis that we will wait and see what happens in the future."

Mr Luiz Carlos Bresser Pereira, the former Finance Minister, attacked the agreement as a "palliative solution" while Dr Paulo Nogeira Batista, a former government debt adviser, warned that Brazil was "giving too much and getting too little".

He said: "We have paid out $1.6bn since December – more than a third of our foreign exchange reserves – leaving us even more vulnerable to the banks' demands."

Despite the criticism, there is evidence that Brazil's trade outlook is improving. Figures due to be released yesterday were expected to show a surplus of more than $1bn in January, a record for the month.

The most difficult element in the debt negotiations lies ahead in talks with the International Monetary Fund on measures to shore up the Brazilian economy.

The state's all-consuming growth has created a diverse electorate, writes **Lionel Barber**

Southern politics ripens in Florida sunshine

A GLEAMING glass tower block, the new home of the St Petersburg Times, dominates the skyline of the old fishing port overlooking Tampa Bay.

The newspaper, like the local economy, is booming. Even the Detroit Hotel, which celebrates its 100th anniversary this year, is starting a new life, switching from a dingy retirement lodge for the over-65s to a back-packers' youth hostel.

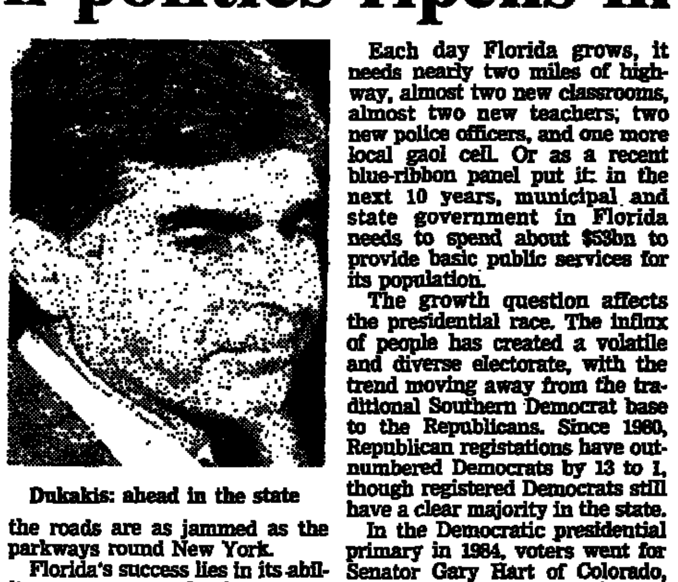
"Everyone is competing in the Hilton class," the manageress explained. "We figured we needed something different."

In 1960, John F Kennedy, campaigning here, addressed an audience of black people in the Detroit hotel ballroom, the only non-segregated public meeting place in town. The ballroom has since been demolished; so, too, have most of the racial prejudices which polarised the South.

The extent of change is difficult to grasp, particularly in a state like Florida. With its diversity and size, the state will provide a key political test for the Presidential candidates in the primaries to be held on "Super Tuesday", March 8.

In the last 10 years, Florida's population has risen by more than 30 per cent. It is the fourth-largest state in the US, and it boasts the nation's second-fastest economic growth rate.

That growth has been all-consuming. The hot, flat land in central Florida, once the preserve of cattle and rattlesnakes, has turned into four-lane highways. On the inter-state motorway north of Miami, through Fort Lauderdale to West Palm Beach, the roads are as jammed as the parkways round New York.



Dukakis: ahead in the state

Florida's success lies in its ability to attract people. On average just under 900 a day settle here, and they have been able to diversify its economy away from its traditional base of agriculture and tourism into high-technology, banking, retail trading, and light manufacturing.

Florida also presents the issues and conflicts of the future in the US: an increasingly self-aware Latin (mainly Cuban) immigrant population competing against established blacks and whites; a dynamic 25-44 year-old group which supports a retirement population which, at 18 per cent of the state, is almost double the national average; urban development against agriculture; above all, the question of the public sector in a growth state.

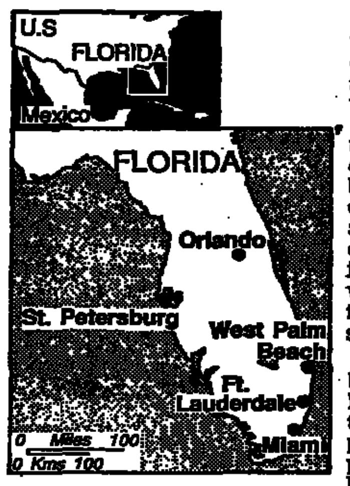
Each day Florida grows, it needs nearly two miles of highway, almost two new classrooms, almost two new teachers, two new police officers, and one more local gaol cell. Or as a recent blue-ribbon panel put it: in the next 10 years, municipal and state government in Florida needs to spend about $53bn to provide basic public services for its population.

The growth question affects the presidential race. The influx of people has created a volatile and diverse electorate, with the trend moving away from the traditional Southern Democrat base to the Republicans. Since 1980, Republican registrations have outnumbered Democrats by 12 to 1, though registered Democrats still have a clear majority in the state.

In the Democratic presidential primary in 1984, voters went for Senator Gary Hart of Colorado, snubbing the traditional liberal, labour-oriented Walter Mondale. But Florida Democrats retain a conservative streak. In 1986, the former state Governor Mr Bob Graham won a place in the US Senate on the strength of his vociferous support for capital punishment.

Governor Michael Dukakis of Massachusetts – who is running slightly ahead in the state among Democrats – turns up in his TV adverts as a Korean combat veteran, a contrast to Iowa where he ran ads with gruesome shots of the Nicaraguan war to protest US support for the Contra rebels.

Congressman Richard Gephardt of Missouri is his nearest challenger and his economic nationalism aims to capture the votes of the American worker. Senator Albert Gore appears strong in the northern part of the state, the "Panhandle". With up to a quarter of Democrats undecided, according to last week's polls, the race is wide open.



On the Republican side, the growth debate has had an indirectly negative effect on Vice-President George Bush's campaign, though his money and his link to President Ronald Reagan still make him the favourite to win the state.

Mr Bush's secret weapon was supposed to have been Florida's governor Mr Bob Martinez, an Hispanic by birth but who in fact speaks with a "coon-dawg" accent as broad as anything you can hear this far south of the Mason-Dixon line. Mr Martinez has a great resumé for the Republican Party: a disillusioned Democrat, he won a crushing victory in 1986 to become the first-ever Hispanic – and only the second Republican – governor this century.

His reward was to be elevated to one of Mr Bush's national co-chairman, yet this year he has been the Invisible Man in the campaign. His downfall followed a botched campaign for a 5 per cent state tax on the services industry – a Democrat proposal which he embraced to balance the budget and fund future infrastructure needs in the state.

The ensuing furore and cries of betrayal from the taxophobic Republicans forced Mr Martinez to back down. Mr Jim Bacchus, a prominent Democrat lawyer and political consultant, says the Martinez campaign for the services tax was doomed by the governor's failure to prepare his constituency, but the need for tax increases will not go away.

A curious parallel could be drawn with the presidential race. None of the Republicans uses the dreaded "T" word – taxes – least of all Mr Robert Dole of Kansas who blames his defeat in New Hampshire on a Bush campaign ad alleging he straddled the issue. On the Democratic side, candidates promise to spend more on domestic welfare programmes, to start afresh, and make America great again.

But despite the reality of the $150bn budget deficit, none of the candidates, Republican or Democrat, has yet to prepare a national constituency for the pain of adjusting to real deficit reduction.

Canada GDP up 6%

CANADA'S inflation-adjusted gross domestic product rose at a seasonally-adjusted annual rate of 6 per cent in the fourth quarter, Statistics Canada said, AP-DJ reports from Ottawa. The large gain continues the pattern shown in the previous three quarters.

The only important component of domestic demand to record a decrease was residential construction investment, where there was a 1.1 per cent fall from the third quarter.

EC pledges fresh impetus for Arias peace plan

BY ROBERT GRAHAM IN HAMBURG

THE European Community yesterday promised to give fresh impetus to the Central American peace plan initiated last year by Mr Oscar Arias, the Costa Rican President, and provide more financial support.

The pledge was made in Hamburg yesterday by Mr Hans-Dietrich Genscher, the West German Foreign Minister and host to a two-day meeting between EC ministers and five Central American counterparts.

Mr Francisco Fernandez-Ordonez, Spanish Foreign Minister, said: "The atmosphere at this meeting is much more optimistic than when we met last time in Guatemala." The transformation has been brought about by the Arias plan.

Mr Genscher emphasised the EC's desire for the Guatemala agreement to be properly carried out, calling for the removal from the region of all "outsider interference".

An economic document gives an unspecified commitment to increase EC economic aid in the context of a three-year $1.5bn international programme for Central America.

Mr Claude Cheysson, the EC External Affairs Commissioner, said he hoped community aid would represent some $400m of this. At present the community provides $98m of aid on a joint basis and a further $178m on a bilateral basis between the 12 and the five Central American countries – Costa Rica, Guatemala, Nicaragua, El Salvador and Honduras.

WORLD TRADE NEWS

EC's trade chief says China must ease bureaucracy

CHINA needs to streamline its bureaucracy and provide better information to attract more investors from the European Community, EC Trade Commissioner Mr Willy de Clerq said yesterday, Reuter reports from Brussels.

He told a news conference to mark the launch of a week-long EC-China business exhibition:

"Our business community encounters difficulties it finds discouraging . . . (China) is a difficult market, but that doesn't mean it's impossible.

"The Chinese . . . should look at ways of making European investment and economic relations in general more attractive," he added.

An EC memorandum sent to the Chinese after a symposium in Peking in December said investors needed better information to choose good joint ventures and simpler procedures for official approval of projects.

Mr De Clerq said China's positive attitude to the Community meant that European companies stood a good chance of winning orders there. The commission planned to open a delegation in China this year, he added.

As China has modernised its economy, trade with the Community has quadrupled since 1978.

It was the third biggest customer for EC exports among less-developed countries after Saudi Arabia and Algeria in 1986 although Mr De Clercq said EC exports had fallen off recently.

In 1986 EC exports to China were worth Ecu6.5bn ($8bn) against imports of Ecu4.2bn ($5.16bn).

US machine tool orders increase 23.7% in month

US MACHINE tool orders, led by a 27.5 per cent jump in domestic demand, rose 23.7 per cent in January to $298.50m, Reuter reports from Washington.

The weaker dollar, which makes US-made machine tools more price-competitive, coupled with higher government purchases, contributed to the rise in orders.

The National Machine Tool Builders Association said that the January rise followed a 76.7 per cent surge in December to $242.6m. January orders were up 125.3 per cent from a year ago.

"Now that the exchange rate for the dollar is at a more favourable level, more American orders are staying home and going to American companies," Mr James A. Gray, president of the association, said.

A requirement that the Department of Defence should buy more US-made machine tools also contributed to last month's rise in domestic orders.

Foreign orders of US machine tools fell 1.6 per cent to $31.45m in January after a 1.1 per cent drop in December, the association said. However, foreign orders last month were still 11.9 per cent higher than in January 1987.

The association said January's decline in foreign orders did not reflect a downward trend

Sony to double output at Singapore plant

BY ROGER MATTHEWS IN SINGAPORE

SONY CORPORATION is to expand its manufacturing operations in Singapore to take advantage of the expected surge in the assembly of compact disc players on the island.

Sony estimated yesterday that the turnover at its wholly-owned subsidiary, Sony Precision Engineering Centre (Singapore), would reach S$300m next year – double the target figure for 1988.

At the heart of the new investment, which will amount to S$42m (£11.6m), will be the first transfer from Japan of Sony's large-scale robotised production system used for optical pick-ups, a key component in compact disc players.

Plan for Malaysia chemicals project

By Wong Sulong in Kuala Lumpur

A US-WEST German partnership has submitted a proposal to the Malaysian Government to build and operate a petrochemical plant that could involve investments of $1bn (£555m).

Thyssen Rheinstahl Technik of Dusseldorf and M. W. Kellogg of Texas yesterday put the proposal to Mr Ghafar Baba, Malaysia's deputy Prime Minister. The companies are to discuss the venture with government officials and Petronas, the Malaysian oil corporation.

The plant will use Malaysian crude oil to produce polyethlene and polypropylene for the expanding plastics industries in the Pacific Rim countries.

Mr Herbert Brenke, chairman of Thyssen Rheinstahl, said the partners, after carrying out a survey, decided to site the proposed plant in Malaysia because of the availability of raw materials and because of the country's political stability.

The exact location of the plant, its capacity and equity structure would be discussed once the Malaysian Government approved the proposal which he hoped would happen within two months. It would take about three years for the plant to be in production.

Thyssen Rheinstahl and Kellogg have been involved in the construction major of petrochemical plants, but this is their first venture in operating one.

In Malaysia, Thyssen was involved in the construction of the Lumut naval base, while Kellogg has helped build the liquid natural gas complex at Bintulu in Sarawak.

Japan vehicle exports fall

JAPANESE vehicle manufacturers exported 524,785 cars, trucks and buses in January, 9.1 per cent down on the corresponding month last year, the Japan Automobile Manufacturers' Association said yesterday, AP-DJ reports from Tokyo.

The fall was part of the downtrend in vehicle exports following the yen's appreciation, officials added.

It followed a 2 per cent year-on-year growth last December.

Tim Coone reports on proposals from the Bariloche meeting on agricultural trade reform

Cairns Group bridges the farm surplus gap

THE DELIBERATIONS of 14 agricultural and trade ministers at the lakeside resort of Bariloche in southern Argentina last week must rate as a gastronomic landmark in the history of agricultural trade negotiations.

Subsidies on mundane staples such as wheat, milk and olive oil were discussed over platters of wild boar, venison and fresh trout plucked from the breathtaking Andean mountain surroundings.

"You never hear of an agriculture minister going hungry" was the colic remark of one of the assembled 14, confronted with yet another banquet after a hard day of speeches and bargaining.

But the ministers had some reason to be in a self-congratulatory mood. Countries with interests as apparently diverse as Canada ($5bn in agricultural trade subsidies last year) and Argentina (which continues to tax some of its agricultural exports), not only maintained their unity, but came up with firm proposals on how to go about trade reform.

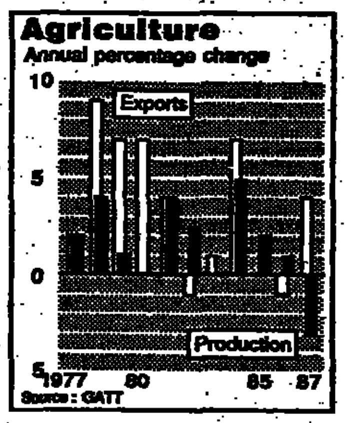
The Cairns Group, which met for four days at Bariloche, is composed of Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, Philippines, New Zealand, Thailand, and Uruguay. It is a non-aligned group of agricultural exporters committed to achieving liberalisation of agricultural trade within the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (Gatt).

The hero's role at Bariloche must go to the Australians. By bringing the concept of "downpayment" into the talks, they hope to bridge the gap between the negotiating positions of the US, the EC and the Cairns Group.

Last year, the US committed itself to eliminate all agricultural trade subsidies by the year 2000 – the so-called Zero-2000 proposal. It is now pressing the EC and countries such as Japan, which have high protective barriers against imported foodstuffs, to adopt a similar long-term commitment.

Both the EC and Japan, however, are extremely reluctant to make the step beyond short-term measures. The US and the Cairns Group exporters fear these could be quickly reversed under domestic political pressure, in the absence of an explicit long-term commitment to cut subsidies.

Equally, the US is concerned lest its own Zero-2000 proposal should fail in the face of US congressional pressure to maintain and extend farm support programmes.



Developing countries in the Cairns Group consider that immediate steps have to be taken to reduce subsidies, which are creating financial crises at home due to the foreign debt burden. They want the date for Zero-2000 brought forward. The US is apparently willing to consider the possibility, but only if the EC commits itself to long-term reform.

"Downpayment" is the Australian answer. Short-term measures adopted by the EC, say, to reduce protection for certain products and crops could be considered as a down payment on a long-term commitment to reduce overall subsidy levels. This "would be a means of bringing the EC into a political commitment" said one of the Australian negotiators.

The Cairns Group have tabled firm proposals for the 1989-90 period. These are that trade and export subsidies be reduced, that quota and other restrictions be relaxed, giving increased market access, and agreement sought on the management and disposal of surpluses.

In the coming months, these basic ideas are to be developed in Geneva with the back up of econometric studies carried out in Australia and the US. By the time of the mid-term review of the Uruguay Round, to be held in Montreal in December, the Cairns Group should have specific proposals on the levels of reduction in farm support, a timetable for carrying them out, and a means of standardising and measuring the various forms of farm subsidies – a so-called aggregate measure.

The US role will continue to be pivotal. The Cairns Group, which accounts for about 25 per cent of world agricultural trade, cannot hope to influence the EC alone. Equally, the US needs the support of the Cairns Group.

Mr Mike Moore, the New Zealand Trade Minister said "the Cairns Group and the US are natural allies". He added: "The US has lost 50 per cent of its agricultural export markets over the past 10 years as a result of the EC farm protection policies."

His Australian colleague, Mr Michael Duffy, was equally emphatic about the US role: "Its political credibility is at stake. The US can and should take a lead in this Gatt round because of its very ambitious Zero-2000 commitment. But it is no use breast-beating about long-term reform if at the same time the US Government cannot carry these reforms with its own Congress."

But with the "downpayment" mechanism as a possible means of reconciling short- and long-term goals, "decoupling" of subsidies from production could provide the next key area of compromise.

Mr Moore said: "It is legitimate to support farmers, but not farming. Nobody is questioning the right of a government to support a rural family, but it should be as a family unit and not on the basis of what they produce. It is production subsidies that are presently causing the huge distortions in world agricultural trade."

Sabena joins computer reservations system

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SABENA, the Belgian flag airline, has become the 10th member of the Galileo international airline computer reservations consortium.

The others are Aer Lingus, Alitalia, Austrian Airlines, British Airways, British Caledonian, KLM of Holland, Swissair, TAP (Air Portugal) and United Airlines' CRS subsidiary, Covia.

The group was set up under the title of Galileo Distribution Systems to link its members' computer reservations systems into one network, designed to win a bigger share of expanding world travel markets.

The system will offer travel agents and passengers complete airline reservations for all the members, hotel bookings, car hire and other travel facilities.

Mr Jan Van Bekkum, KLM's vice-president of automation systems, has joined the consortium as president of Galileo. He has responsibility for its day-to-day management.

Galileo's rival is Amadeus, whose 11 members include Air France, Iberia of Spain, Lufthansa of West Germany, and the US Texas Air conglomerate which includes Continental and Eastern Air Lines.

Other members of Amadeus are Icelandair, Scandinavian Airlines System (SAS), Air Inter of France, Finnair, Linjeflyg of Sweden, JAT and Adria Airways, both of Yugoslavia, and Braathens Safe of Norway.

Amadeus is spending up to $270m (£150m) on the programme to link all the individual computer reservations systems of those airlines, and has set up its holding and marketing companies in Madrid.

● Swissair yesterday took delivery of the first of its new fleet of eight Dutch Fokker 100 twin-engined 100-seater jet airliners, powered by the new Rolls-Royce Tay engine. Swissair has an option on another six aircraft.

Boost for air traffic control

BY PAUL BETTS IN PARIS

CONCERN about air safety in European skies is creating opportunities for European manufacturers of sophisticated air traffic control and navigation equipment.

Mr Roger Kahane, marketing manager of the air traffic and air navigation division of Thomson CSF, said yesterday: "Europe is coming back as an important market for air traffic control systems."

The French state-controlled electronics and defence group has about 40-45 per cent of this market in Europe.

The UK Civil Aviation Authority has a £200m five-year programme to upgrade Britain's air traffic control system. West Germany's air navigation safety administration has launched a five-year DM900m (£310m) modernisation plan. In addition, France is engaged in a FFr2bn (£200m) programme to update its air traffic control systems.

Mr Kahane added that Norway was preparing to renew its system while Denmark has just inaugurated a new air traffic control centre at Copenhagen developed by the French group.

"Europe was a big market for air traffic control systems about 10-15 years ago," Mr Kahane said. "But the market then moved to Asia and developing countries. It is now moving back to Europe as several countries are looking to upgrade their existing systems."

Apart from Thomson, the main European suppliers of air traffic control systems and equipment are Selenia of Italy, Plessey, Marconi and Cossor in the UK. In the US, the biggest group in this sector is Raytheon. For the Europeans, however, the US is regarded as a closed shop because of the requirements of the market.

Thomson is looking for opportunities to co-operate with US suppliers to penetrate the US civil aviation market. The group has already co-operated with US companies in the military field and recently bought Wilcox, a US manufacturer of navigation and landing equipment, from Northrop.

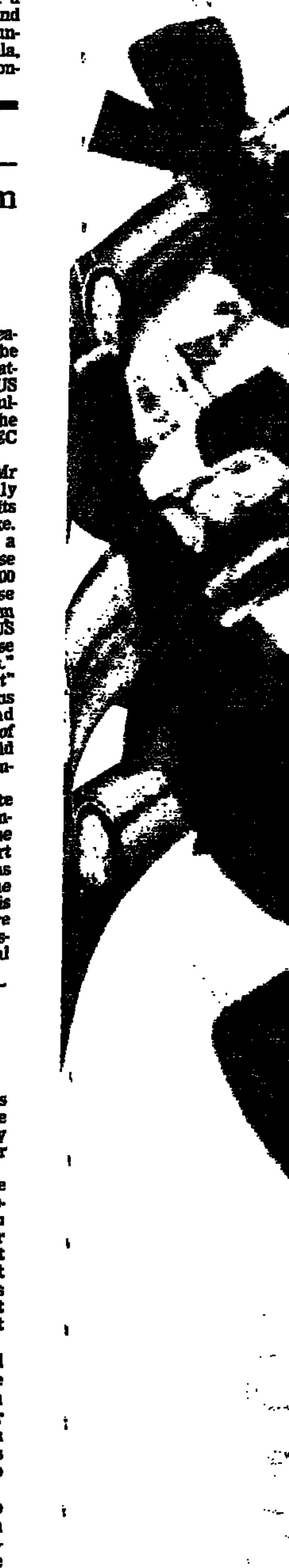
Thomson is pinning some of its greatest hopes on its microwave landing system (MLS) technology which it has been developing for the past 15 years.

Airport authorities and airline companies have so far been reluctant to adopt the new system largely because of costs. Mr Kahane says it costs about £30,000 to provide an aircraft with the new system, and airlines are clearly hesitant to convert their fleets as long as MLS is not adopted by most airports.

Thomson has been encouraged by the decision of several defence departments to go ahead with MLS technology. The US Air Force is planning to acquire a number of mobile MLS systems which would be used to set up temporary airfields.

Mr Kahane says other Nato countries are also interested in MLS and this may help eventually to extend the process to the civilian sector.

Thomson also sees new opportunities emerging in the Far East and Australasia.



TECHNOLOGY

David Fishlock explains how the hurricane of last October has helped microbiological research

Scientists are down in the woods today

SCIENTISTS are scouring Burnham Beeches, the beautiful woodlands west of London, for microbes that may yield cures for diseases which defeat doctors today. Beneath trees uprooted in last October's storms, they are finding colonies which have survived undisturbed for scores, even hundreds, of years.

The interest lies in their chemical defences, in how the microbes have resisted all the exigences of their environment for so long. The chemicals they release to combat environmental stresses may, perhaps, be harnessed to fight invasions of human defences.

Less than a year ago Xenova, a new biotechnology company, was started near the woodlands on the Slough trading estate. It is the brainchild of Louis Nisbet, an industrial microbiologist with an inventive past, working for big drug companies such as SKF and Glaxo on antibiotics. In 1986, Nisbet drafted his plan for a new biotechnology venture with a target which he believes is unique among the several hundred "biotechnology boutiques" in the world.

Instead of using the techniques of "genetic engineering" to alter natural microbes, as most of the new companies do, he is using the techniques as tools to identify natural microbes which might be induced to make useful chemicals when cultured under the right conditions.

After the discovery of penicillin, many powerful antibiotics were found by microbiologists between 1945 and 1970, through intensive screening programmes on natural microbes. Even so, only a small fraction of the natural organisms known to exist have been screened, while the discovery since 1970 of such prizes as the beta-lactams came about because earlier screens were found to be too insensitive.

Other potential drugs, such as natural non-toxic anti-fungal and anti-viral agents, have never yielded successfully to screens. Anti-tumour drugs have been found but they tend to be too toxic. Parasitic diseases, including malaria and river blindness, still challenge the microbiologists to find natural enzymes which will interfere with the complex life-cycles of the parasites.

All these targets could yield to finer, more precisely directed screens, combined with an imaginative search for untested microbes, Nisbet believes.

Soil samples reaching Xenova's laboratories come from as far apart as Kew and Korea. A herbaceous border in Oxford has proved a prolific source of unusual microbes.

> Parasitic diseases still challenge the microbiologists to find natural enzymes which will interfere with complex life-cycles

Xenova wants to use not whole microbes but biologically active metabolites — chemicals made by the microbes. Its primary goals are anti-inflammatory agents, chemicals which inhibit the breakdown of tissue in rheumatoid arthritis, and chemicals which control tumour growth.

Nisbet's approach is to start with the biochemistry of the target disease and to try to identify a point of attack appropriate to a prospective metabolite. For example, this might be an enzyme that inhibits an undesirable process such as the formation of cholesterol.

Nisbet is concentrating on two kinds of micro-organism. One group consists of eukaryotic organisms, like fungi, "which have a lot in common with us" in terms of the biochemicals they produce.

The other is a type of bacterium called actinomycetes which is now known to be a good source of enzyme inhibitors. The beta-lactam antibiotics are produced by actinomycetes.

Nearly 200,000 species of these two organisms are known to exist but only about 5 per cent have been picked up as potentially interesting by the relatively coarse screens of the past. However, the desired metabolites may have been present at too low a concentration or been too unstable in the conditions used.

As research director of Xenova, Nisbet plans to scrutinise 5,000-10,000 microbes a year. He will use post-doctoral scientists who are skilled in identifying the characteristic features (shape, colour, etc) of a microbe which has evolved special defences for its survival.

Once a promising microbe is identified, the next step is to try to culture it in quantity in a way that will prompt it to produce interesting metabolites. This means putting it under stress — starving it of vital nutrients such as carbon or phosphorus — or varying temperatures.

Xenova has already patented two screens based on molecular biology that can identify antagonists to interleuken-1, a natural agent implicated in cell growth and differentiation, inflammation and clotting. One is a radio-ligand assay, the other an immuno-assay.

By the end of the year, Nisbet expects to expand his toolkit of screens to 10. He also plans to miniaturise assays so that they can be repeated at a rate of about 50,000 a year.

Nisbet is spending about £1m a year on research. Last spring he raised £1.5m from a consortium of City investment houses led by Schroder Ventures. At that stage, Xenova comprised just Nisbet and Clive Crooks, head-hunted from Lederle, the US drug company, as managing director. Crooks worked with Korda and Company, the management consultants, on the business plan.

Crooks sees the target as trying to discover "the cyclosporin of the future." Cyclosporin-A — developed by the Swiss pharmaceutical group, Sandoz — is a uniquely powerful immuno-suppressive drug used in transplant surgery to prevent rejection of the new organ.

Dr Caroline Vaughan, a microbiologist with Newmarket Ventures, one of the investors, helped guide the investment consortium on the technical merits of Nisbet's case. As she sees it, the approach is quite different from that of most "biotechnology boutiques". For Xenova the expensive part of the research is designing the screens which, if successful, will look at many thousands of microbes in the search for something which can eventually be isolated.

"Compared with cloning, it's a much lower cost approach," Vaughan says.

Tony Andrews

Mr Clive Crooks, managing director of Xenova, and Dr Louis Nesbit, the company's research and development director, with part of their vast collection of micro-organisms.

Research joint ventures will focus on ailments of the brain

A RESEARCH company in the US, geared to brain disease, has started joint-venture talks with the pharmaceutical industry. CNS Research, based in Cambridge, Massachusetts, has held discussions with four companies, says Dr Alfred Server, its research director.

The company, backed by about $7m (£3.97m) venture capital, started operations 18 months ago and plans to work with established companies in taking product ideas in brain-related medication to market in the 1990s. Server hopes the company will be able to complete at least one of its partnerships within the next year.

With a staff of 28, CNS Research directs all its research at brain-related ailments, including depression, schizophrenia, epilepsy and neurodegenerative conditions such as Alzheimer's and Parkinson's diseases. Work is divided into medical and scientific disciplines such as molecular biology — the science of studying how physiological processes can be altered by changing the genetic make-up of the body.

Another area of research relates to discovering and classifying sectors of proteins in brain tissue that could be susceptible to attack from other biological materials. This could involve studies using monoclonal antibodies — very pure proteins that home in on specific biochemical sites.

Studies are being made into neuro-transmitters — biological fragments that trigger off specific chemical processes in the brain. Work in neuro-transmitters has been identified by a number of pharmaceutical companies, including Glaxo and Beecham in the UK, as highly important in efforts to find new drugs for brain-related conditions. CNS Research also plans to look at new types of imaging methods and instruments to monitor changes in the brain and surrounding tissue.

Annual world sales of drugs aimed at brain-related ailments are estimated at about $8bn, which analysts expect to grow to $12bn by the early 1990s. CNS Research accepts, however, that it may be a long time before products from its research reach the market.

The company has recruited, as chief executive, Alan Dalby, a former president of Smith Kline & French Laboratories, the drugs subsidiary of SmithKline Beckman, the US health-care company. Financial support has come from E. M. Warburg, Pincus, a New York venture-capital group. Rodman Moorhead, its managing director, says the CNS Research studies look highly promising but any products are "at least five years away."

Peter Marsh

WORTH WATCHING

Edited by Geoffrey Charlish

Valve-maker opts for flexible system

VALVE-MAKER Hattersley Newman Hender (HNH) of Ormskirk, Lancashire, has installed a £5.5m flexible manufacturing system (FMS). It is based on six machining centres from KTM of Brighton, Sussex, which was the main contractor, and eight automatic guided vehicles (AGV) from Wagner Indumat of Germany.

Flexible manufacturing allows computer-controlled machining of parts and their movement between machine tools, so that production can be switched from one component type to another on demand. Work in progress and the storage of raw materials and finished goods are reduced. Production can be made to match sales orders more accurately.

HNH's products involved 700 different valve bodies and covers which were being made by dozens of stand-alone, single-purpose machine tools. Now, just six multi-function, centrally directed machining centres are dealing with 97 per cent of the company's throughput. The Wagner Indumat AGV's are guided by underfloor wires and communicate with the Siemens central computer as necessary.

They make software-scheduled calls at the machining centres, delivering and collecting parts and finally delivering the finished items to an output position. The system deals with 13 to 17 production orders daily.

Pay-and-display progress

FKI-Tully of Halifax is producing a new pay-and-display ticket machine which may be welcomed by car park users and operators. Employing a microprocessor, the machine can operate in isolation or as part of a multi-site network, communicating with a central computer over land lines.

Drivers can use combinations of five UK coins or a magnetic card; the machine, called Micropark, prints a ticket within two seconds.

In stand-alone form, the machine is programmed with tariffs, the clock adjusted and audit totals extracted using a plug-in box. Alternatively, such functions can be carried out from a remote central point over communication lines. The separate cash box and maintenance doors are protected electronically.

The way ahead for paperwork

THE PROPORTION of medium-to-large companies transmitting their paperwork electronically will double to 67 per cent in the next two years. That is the conclusion of Butler Cox and Partners, the UK information technology management consultancy, after polling 250 IT-user organisations across Europe.

The consultancy's 100-page report, IT and The Customer (£595), also indicates that 40 per cent of respondents expect their customers to be placing orders electronically by 1990.

Butler Cox concludes that such rapid uptake of these and other techniques — dealing with suppliers electronically for example — "will threaten the survival of those who fail to stay up to date."

The survey finds that in most companies the primary impact of IT investment has not been on their customers or marketplace (most IT is "internal"). But Butler Cox sees changes coming, with customer demands pushing companies into wider use of IT. The report tries to show how both private and public organisations can use IT more effectively.

Speedier map digitisation

BRITISH TELECOM and the Ordnance Survey have signed an agreement which will speed up the digitisation of 230,000 British maps and allow them to be used and transmitted more easily in the information and graphics systems of the future.

BT is to employ contractors to computerise the maps into forms acceptable to users like the utilities and local government. The OS will market the data and share the proceeds with BT.

Similar agreements may be reached with other bodies, bringing the projected 1999 completion date forward to the early 1990s.

CONTACTS: KTM: UK, 0273 507255. Wagner Indumat: UK office, 0990 25938. FKI-Tully: UK, 0422 882383. Butler Cox: London, 831 0101. British Telecom: London, 356 5366. Ordnance Survey: UK, 0703 792814.

FT LAW REPORTS

Bank is not put on inquiry for fraud

BARCLAYS BANK PLC v QUINCECARE LTD AND UNICHEM LTD
Queen's Bench Division (Commercial Court): Mr Justice Steyn: February 24 1988

A BANK'S duty as its customer's agent to exercise reasonable care in executing his order to transfer money from his account, is subject to a duty to execute such an order promptly; and it therefore has no duty to make inquiries before executing an apparently valid and proper order to transfer funds from a company's account if, as an ordinary prudent banker, it has no reasonable grounds to believe the transfer is an attempt to misappropriate company funds.

Mr Justice Steyn so held when giving judgment for Barclays Bank plc on its claim against Quincecare Ltd as principal debtor and UniChem Ltd as guarantor, in respect of loan funds dishonestly misapplied by Quincecare's chairman, Mr Harry Stiller.

HIS LORDSHIP said that in 1983 Mr Stiller approached the bank's Hull branch for a loan of about £400,000 to finance the purchase of four chemist shops.

The bank insisted that the purchase should be in the name of a new company. Quincecare was formed. Mr Stiller had no direct holding in Quincecare but was chairman and had effective control.

UniChem was a major supplier of pharmaceutical products throughout the UK. Negotiations with the bank took place on the basis that UniChem would guarantee the loan. Relying almost entirely on UniChem's willingness to provide a guarantee, the bank granted approval of the loan.

On November 15 a facility letter was signed by the bank. By mid-November 1983 Quincecare had commenced trading from the four chemist shops despite the fact that the purchase price had not been agreed or paid. It opened a current account at the Hull branch.

The furnishing of the UniChem guarantee was an indispensable requirement of the bank before it would allow a drawdown of the loan.

The guarantee, in respect of a fixed term loan for £400,000, was signed by UniChem and sent to the Hull branch. On January 4 1984 the manager's assistant phoned Mr Stiller and informed him that an acceptable guarantee had been received. He accepted oral notice of drawdown of the loan.

Mr Stiller phoned a Bournemouth firm of solicitors who had previously acted for him. He asked them to act in connection with the purchase of the chemist shops, and to receive a large sum in a client account, to place it on deposit over the weekend, and to transfer it to the US the next week on his instructions. The solicitors agreed to the request.

On Friday January 6, Mr Stiller phoned the Hull branch and spoke to the manager's assistant. He asked him to transfer £344,840 to the solicitors and £24,227 to a company called Manygill Ltd, his alter ego. He described the latter sum as an inter-company debt.

The assistant manager told Mr Stiller that he required written confirmation of the order. The manager also insisted on written confirmation. It was delivered that afternoon.

The transfer was effected, the receiving bank phoned the solicitors, and they arranged for the money to be placed on deposit over the weekend.

On Tuesday January 10, on Mr Stiller's instructions, £341,400 was transferred by the solicitors to a New York account.

Mr Stiller then disappeared.

He had successfully cheated the bank, UniChem and his co-directors.

In December 1985 he pleaded guilty at York Crown Court to obtaining property by deception, and was sentenced to four years imprisonment.

About £8,000 was subsequently recovered in the US. Quincecare sued Mr Stiller and obtained judgment for £344,848, but judgment was unsatisfied. Quincecare was insolvent. Relying on the guarantee the bank sought payment from UniChem of £400,000. It refused to pay.

On February 10 1985 the bank began the present proceedings against Quincecare and UniChem.

The evidence showed that the transfer by the bank was made on instructions given in accordance with the terms of Quincecare's mandate to the bank, and so was made on instructions given on Quincecare's behalf.

Mr Thomas for Quincecare advanced the proposition that (i) there was an implied duty of care in the customer/bank relationship; (ii) if the circumstances would have raised a question in the mind of a reasonable banker as to whether the transaction was authorised and for the customer's benefit, the banker was under a duty of inquiry; (iii) and if no inquiry was made, negligence was established.

Primarily the relationship between a banker and customer was that of debtor and creditor. But *quoad* the drawing and payment of the customer's cheques as against his money in the bank's hands, the relationship was that of principal and agent.

When the bank acted on an order to transfer money from the Quincecare account to the solicitors, it was acting as Quincecare's agent. As agent it owed fiduciary duties to Quincecare.

Prima facie every agent for reward was also bound to exercise reasonable care and skill in carrying out the instructions of his principal. There was no reason for holding that bankers were immune from such an elementary obligation.

It was an implied term of the contract between bank and customer that the bank would observe reasonable skill and care in and about executing the customer's orders. In a case such as the present, a banker could be sued in tort as well as contract. The duties in contract and tort were coextensive.

Given that the bank owed a legal duty to exercise reasonable care in executing a customer's order to transfer money, it was nevertheless a duty which must generally be subordinate to its other conflicting contractual duties. *Ex hypothesi* the bank here received *a valid and proper* order which it was *prima facie* bound to execute.

The critical question was as to what state of knowledge on the bank's part would oblige it to make inquiries as to the legitimacy of the order.

The law should not impose too burdensome an obligation on bankers, unnecessarily hampering the effective transaction of its business. On the other hand, the law should guard against the facilitation of fraud, and expect a reasonable standard of care in order to protect customers and innocent third parties.

The sensible compromise, which struck a fair balance between competing considerations, was simply to say that a banker must refrain from executing an order if and for as long as he was "put on inquiry" in the sense that he had reasonable grounds (though not necessarily proof) for believing that the order was an attempt to misappropriate company funds.

The external standard of the likely perception of an ordinary prudent banker was the governing one.

In the present case the bank knew that the funds were required to purchase a business, and expected a large part of them to go to the company's solicitors.

A banker would usually approach a suggestion that a director of a corporate customer was trying to defraud the company, with an initial reaction of instinctive disbelief. Trust, not distrust, was the basis of a bank's dealings with its customers.

Full weight must be given to that consideration before one was entitled to conclude that a banker had reasonable grounds for thinking that the order was part of a fraudulent scheme.

Nothing had emerged from the evidence which could conceivably justify the conclusion that the bank should have suspected Mr Stiller of being a fraudster. It had material before it to indicate that he might be an entrepreneur worth supporting.

There was nothing in the history of the matter which should have put the bank on inquiry as to Mr Stiller's honesty.

It was asserted that the bank owed UniChem a duty in tort to act prudently and reasonably in securing performance of the terms of the loan agreement.

The bank and UniChem had conducted negotiations at arms length. Each hoped and expected Quincecare to be successful. Each took a business risk. UniChem plainly did not expect the bank to look after its interests. On the contrary, it was quite capable of looking after its own interests and had employed solicitors.

The bank's relationship to UniChem was therefore not of sufficiently close proximity to justify a holding that there was a duty of care. On the contrary, the bank did not fail to exercise reasonable care.

The bank was entitled to judgment for £669,846 against Quincecare and UniChem.

For Quincecare: Roydon Thomas QC and Simon Browne-Wilkinson (Warner Cranston)
For UniChem: Martin Mann QC and Roger Kaye (Rakisons)
For the bank: Timothy Walker QC and Genevra Caws (Durrant Piesse)

Rachel Davies

Barrister

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Plessey to diversify into telecomunications services

BY DAVID THOMAS

PLESSEY, the UK electronics group, is planning a major diversification into the operation of telecommunications services which could bring the company into direct competition with British Telecom.

The proposals follow the hiving-off of its telecommunications equipment business into a joint venture with General Electric Company of the UK.

There has been considerable speculation about Plessey's future strategy now that it no longer has day-to-day management responsibility for its telecommunications activities. These accounted for about half its turnover and operating profits last year.

Mr Stephen Walls, Plessey's finance director, said the provision of voice and data communications services, value added networks and other telecommunications services could become "a fourth core business" for Plessey.

After the establishment of the joint venture, Plessey felt free to move into operating areas where it might be in competition with British Telecom.

In the past, "it would have been very difficult for us to to look at it as an opportunity given that BT was one of our two major customers," Mr Walls said.

Plessey is undertaking studies to identify which telecommunications operating areas offer opportunities both at home and abroad.

The company is intending to bid for the right to operate a new in-car navigation service, details of which are due to be announced by the Department of Transport soon.

Mr Walls gave the management of payphone services and of data networks as other examples. Plessey had a substantial payphone manufacturing business, now transferred to the joint venture, and has a large in-house data network which it believes might form the basis for a commercial operation.

Sir John Clark, Plessey's chairman, revealed the company's thinking yesterday when the circular to shareholders giving details of the equipment joint venture was published.

He also named aerospace as an area where the company intends to boost its activities considerably. Plessey's aerospace equipment businesses in the UK and US currently have sales of £90m to £100m a year.

The company hinted strongly that acquisitions in these areas and Plessey's remaining core divisions — defence equipment and semiconductors — were likely to be revealed in the coming months.

"The strength of (Plessey's) balance sheet contributes substantially to the opportunity to finance this internal growth and to acquire new companies to accelerate that process," Sir John said.

Motorola in pact with software unit

BY LOUISE KEHOE IN SAN FRANCISCO

MOTOROLA, the US semiconductor and computer manufacturer, has reached a collaborative agreement in principle with UniSoft Group, a UK software developer.

UniSoft will develop software to enable a computer built around a Motorola microprocessor to run application programs running on AT&T's UNIX operating system.

The agreement also calls for Motorola to acquire a stake in UniSoft. Terms were not revealed.

The deal is seen as a move to redress the competitive balance between Motorola and Sun Microsystems, a large US computer workstation maker.

Microwave TV may be set up in five years

By Raymond Snoddy

THE GOVERNMENT believes that a system of local microwave television transmitting up to 12 channels to as much as 70 per cent of the country could be set up within five years.

Studies carried out for the Department of Trade and Industry suggest strongly that MVDS — microwave video distribution system — is feasible using existing technology.

MVDS, already widely used in the US, involves broadcasting from local transmitters to an area with a radius of about 10 kilometres.

The main disadvantage is that it needs clear lines of sight from transmitter to special domestic aerials, with no buildings or trees in the way.

However, the technology does offer a potentially cheap way of re-transmitting satellite programmes.

There are growing signs that the DTI is investigating the possible setting up of a national system which would in effect compete head on with cable television and British Satellite Broadcasting, the UK's direct broadcasting by satellite project.

Last year the DTI commissioned a study on MVDS from Touche Ross, the management consultants.

It is believed the report suggested three possible roles for MVDS.

It could help cable television by earning cash for cable companies while the network was being laid, it could be used in rural areas where cable was unlikely to reach or a full national MVDS network could be set up.

Bank takes firm line on market discipline

BY DAVID LASCELLES

THE BANK of England would not stand behind individual financial intermediaries who get into trouble because that could undermine market discipline, Mr Robin Leigh-Pemberton, the Governor of the Bank, said yesterday.

The Bank's responsibility was to ensure that there was sufficient liquidity in the monetary system at times of strain, not to bail out securities firms, he said.

The governor, who was addressing a conference on strategies for industry in the wake of the October market crash, said the Bank had helped to monitor the position of individual securities houses during the crash.

However, he added: "I want to make it quite clear that in this area our interest lies in the avoidance of systemic risk, and it is because of the potential threat to the system rather than to its individual components that we attach such importance to the regulation of capital adequacy in the securities industry."

Mr Francis Maude, Parliamentary Under Secretary for Corporate and Consumer Affairs, said the Department of Trade was reviewing the UK market's operations in the hectic trading period in late October.

However, he added: "I must emphasise that we do not start from the premise that something must be done. If nothing is broken, there is no need to fix it."

Both Mr Leigh-Pemberton and Mr Maude said that the UK investment markets had performed as well as could be expected in the crash.

Mr Maude said: "I believe there is anecdotal evidence that some foreign investors turned to the UK as the most accessible market place."

Jail sentence call over transfer of cash abroad

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE HIGH COURT was asked yesterday to jail Mr Jim Raper, the financier, and his business associate, Mr Douglas Allen, and to seize their assets for contempt of court. The request was made by the liquidator responsible for winding-up the Savings & Investment Bank which claims to be owed £10m by Mr Raper's Gasco Group.

The two men were alleged to have aided and abetted the transfer abroad of £2.6m of the assets of Saint Piran, a company associated with Mr Raper, and its subsidiaries.

The transfers breached Saint Piran's undertaking to the High Court in 1984 not to reduce the UK assets of itself or its subsidiaries below £7m.

The contempt proceedings have been brought by the liquidator of Savings & Investment Bank — SIB — an Isle of Man bank wound-up in 1982.

SIB is claiming more than £10m from a number of Gasco companies in court proceedings pending in the Isle of Man. That claim is for repayment of a £4.4m loan made to Gasco in 1981, with interest. In the same proceedings, Gasco is claiming about £12m damages from SIB.

The assets were alleged to have been transferred in the second half of 1985 to three companies.

Prescription charges rise by 20% amid opposition anger

BY TOM LYNCH

PRESCRIPTION CHARGES are to rise by 20p to £2.60 an item from April 1, with equivalent increases in periodic "season tickets" for people needing regular medication. The higher charges will yield an additional £10m a year.

Mr Tony Newton, Health Minister, told the Commons yesterday that the 8 per cent increase was "broadly in line with the increased cost of medicines."

He faced opposition criticism for raising charges at twice the rate of inflation when the Government was planning tax cuts for high earners in this month's Budget.

Mr Newton also announced that the value of spectacle vouchers for children, students, the poor and those needing complex lenses was to rise by between 9 per cent and 28 per cent, at a cost of £7m. Those using vouchers are to be allowed to choose contact lenses.

The previously announced new scale of dental charges — 75 per cent of the cost of treatment up to a maximum of £150, yielding about £17m a year — is to come into operation on April 1, but with full exemptions for those under 18. Hospital charges for overseas visitors are to rise by between 6.5 per cent and 8.1 per cent.

There was an all-party welcome for Mr Newton's announcement that diabetics are to be provided free of charge with testing strips which enable them to check their blood glucose levels, at an annual cost to the Treasury of about £8m.

Mr Robin Cook, shadow Social Services Secretary, condemned the prescription charges rise as "unnecessary, unjustified and undesirable." It was the tenth since Mrs Thatcher won power and the level of charges was now 13 times what it had been in 1979, "wildly in excess of the increase in the cost of medicines in the intervening period."

The Government was planning to finance tax cuts out of "a massive surplus" of Treasury revenues. "The money is there to fund a decent health service without charging the sick another £10m for their treatment," he said.

Pollution claims worry insurers

BY NICK BUNKER

A FLOOD of insurance claims from US industrial companies, arising from chemical pollution, has forced a syndicate in Lloyd's of London, the insurance market, to ask 480 members for about £4m cash to bolster reserves.

Non-marine Syndicate 90, managed since 1985 by Merrett Group, the Lloyd's underwriting agent, covered the US companies under liability insurance policies it wrote before 1972, said Mr David Robson, a Merrett director.

The news yesterday was the latest sign that Lloyd's faces a wave of litigation in the US from policy-holders wanting it to pay possibly billions of dollars to clean up thousands of hazardous waste-dump sites.

Most claims of this type arise from the 1980 Federal Comprehensive Environmental Response, Compensation and Liability Act.

Under this, better known as the Superfund law, the US Government can force companies which used hazardous waste-sites to meet land-reclamation costs.

Other Lloyd's syndicates may follow Syndicate 90 with reserve-bolstering exercises to provide against new US pollution claims.

The current cash-call applies only to Syndicate 90 members in 1983, an underwriting year accounts of which have been left open because of uncertainty over eventual losses. By 1985 these were already put at £9.5m.

The extra £4m now sought will mostly go to maintain a £24m reserve against claims arising from policies written before 1974.

The cash-call is necessary partly because of new damages claims arising from asbestosis, a chest disease caused by exposure to asbestos used in building, Mr Robson said.

However, a bigger factor which helped to prompt the move was the arrival in the past six months of pollution clean-up claims from US companies including Westinghouse Electric, General Electric and United Technologies Corporation (UTC).

UTC filed a suit in Massachusetts on December 24 against 240 insurers, asking for a judgment confirming that they are liable to meet the costs of 138 clean-ups in 25 states. Westinghouse filed a similar action in New Jersey last summer.

Mr Robson said Syndicate 90 was among many syndicates already fighting a legal claim by Shell Oil for costs of cleaning the Rocky Mountain Arsenal, a military site near Denver, Colorado, where Shell made pesticides.

The Shell-Lloyd's case is now four months into a trial stage expected to last a year in a court in San Francisco Bay area.

Electricity sale advice up for tender

BY STEVEN BUTLER

THE DEPARTMENT of Energy has invited merchant banks to submit tender applications to advise the Government on the biggest privatisation so far — the electricity industry.

This follows the publication last week of the White Paper (policy document) on the sale, which could raise anything between £15bn ($25m) and £20bn depending on how it is structured.

The move surprised some merchant bankers, who had assumed that Kleinwort Benson would continue automatically as adviser to the Government, a role it took on last summer.

However, the Government said the contract with Kleinwort expired on the publication of the White Paper, and that it had always been envisaged that there would be competition for a new contract for the actual privatisation.

The Department of Energy further said it was "entirely satisfied" with Kleinwort's advice. It was specifically inviting Kleinwort to apply.

The previous pattern in government privatisations has been to have one adviser throughout, although nothing as large or complex as selling off the Central Electricity Generating Board and the 12 electricity distributing companies has been attempted.

A precedent has been established in the case of water privatisation. Hoare Govett was told in December that a second phase of that privatisation project would be put out to tender following the conclusion of its contract with the Government.

The tender competitions will take place in a rather new atmosphere in the wake of the friction between the Government and merchant banks during the BP privatisation last autumn, when sub-underwriters to the issue sustained heavy losses.

Government claim on R&D spending is 'out by £1bn'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A NEW study by major aerospace manufacturers estimates that UK research and development spending on all industries is as much as £1bn less than the Government believes it to be.

Endorsed by the Society of British Aerospace Companies (SBAC), the study suggests that, for several years, the UK has been spending much less on research and development than its major competitor countries.

The aerospace industry is becoming concerned that spending on research and development is overestimated (and used as a basis for decision-taking) because of distortions in the Ministry of Defence's statistical methods of assessing such expenditure.

The problem was first identified by Mr Ivan Yates, deputy chief executive of British Aerospace who, from this summer, will also be the next president of the SBAC, the aerospace industry's trade association.

He told the Royal Aeronautical Society in a recent lecture that figures published by the MoD for research and development spending of £2.34bn a year contained "a great deal of project engineering work which is not related to R&D and should never be counted as such if these figures are to be added to the civil sector."

The true figure for such research and development spending was about £1.2bn. "In other words, there is a reduction of over £1bn a year in what is widely supposed to be the total UK research and development activity," Mr Yates said.

This, in effect, reduced the total figure for civil and military research and development in the UK from the published 2.3 per cent of the gross domestic product to about 1.9 per cent, and "puts the UK well below the R&D expenditure of developed countries."

Further work by other aerospace companies is said to have confirmed the validity of Mr Yates conclusions, and has led the SBAC to take the matter up with the Government and with members of both Houses of Parliament.

Mr Yates commented that "we now see that the UK needs to spend at least another £1bn on R&D per year to maintain our status quo, even with our manufacturing industrial base and world market share declining.

"But to stop the decline, and just to stabilise the situation, we need a further increase, say of £1.5bn, while to try to narrow the gap with our competitors could mean possibily as much as £2bn a year."

Mr Yates suggests that industry would be unlikely to produce the money "without significant tax incentives."

Another method would be a revision of the Government's contractual procedures. "All Government contracts should be written in such a way as to actively encourage R&D in the longer term."

Drugs profits 'discourage cross-licensing deals'

BY DAVID FISHLOCK, SCIENCE EDITOR

THE PROMISED profitability of the latest drugs from biotechnology research companies has threatened to produce a growing volume of patent litigation, a leading US patent lawyer specialising in biotechnology said in London yesterday.

Companies believed the important thing was not whether they were first with a product but what defences they could mount over patents, said Mr S. Leslie Misrock, a partner of Pennie and Edmonds, of New York.

Mr Misrock, addressing a meeting of biotechnology investors organised by Swiss Bank Corporation Investment, said the scale of possible profits in genetic engineering encouraged a "winner takes all" attitude rather than cross-licensing agreements.

Examples included Hoffmann-La Roche's legal battle with Cetus, and Cetus' battle with Amgen, over patents for interleuken-2, a natural growth factor which can be made by genetic engineering.

Cetus, a Californian company, was concentrating on going it alone as "to build value into a company," said Mr Robert Fildes, its chief executive officer.

Licensing would yield a royalty of only 5-10 per cent.

Inmarsat telephone plan

BY PETER MARSH

INMARSAT, the London-based international satellite communications consortium, plans a marketing drive to sell its services to airlines.

The satellite body, owned by a mixture of public and private organisations in 54 countries, intends to launch a commercial service in mid-1989 of telephone calls between air and ground.

The plans mark a substantial diversification by Inmarsat from its current preoccupation with providing satellite-based telecommunications links for ships.

About 7,000 vessels have Inmarsat satellite terminals. Charges for providing the links account for virtually all Inmarsat's $70m annual revenue.

Mr Keith Thacker, Inmarsat's marketing manager, predicted that by early next century revenue from this business would provide half Inmarsat's total income.

NEIL KINNOCK, the opposition Labour leader, yesterday visited shopkeepers south London, to press home the message that their business rates (local taxes) would rise steeply under proposals contained in the Local Government Finance Bill now going through parliament. He called at the greengrocer's shop of Mr Derek Lejeune (right) where he juggled happily with some of the produce.

Simon Holberton reports on an Exchequer awash with riches as the Chancellor approaches his fifth budget

Companies may enjoy phased tax relief

THE CHANCELLOR of the Exchequer, Mr Nigel Lawson, owes his reputation for being a tax reformer to the sweeping changes he made to the taxation of British companies in his first Budget in March 1984.

Now in the preliminary stages of his fifth Budget, and partly as a result of those changes, Mr Lawson faces an embarrassment of riches.

The 1984 changes to corporation tax, which made more companies liable for tax by reducing allowable deductions, with the beneficial effects of a booming economy, have meant the Exchequer is awash with cash.

The amount of tax paid by companies as a percentage of total revenue has almost doubled since Mr Lawson introduced those reforms. In absolute terms, it has risen from £6.1bn in 1983-84 to £13.5bn in 1986-87.

The Treasury forecast a similar outturn this year, although it recently conceded this was unduly pessimistic. For this financial year the receipts are likely to be well in excess of £14.5bn.

Given the breadth of changes Mr Lawson made to company tax in 1984 it is thought unlikely that he will do anything significant to alter the structure of corporate tax on March 15.

However, he may announce a phased cut in the rate of company tax to correct the bias in the system in favour of borrowing compared with equity finance.

Mr Michael Devereux of the Institute of Fiscal Studies says that to cut the company rate of tax from 35 per cent to 27 per cent would cost the Chancellor about £4bn.

The institute and many others believe that this would represent the total he has available for tax cuts. However, a partial move in that direction cannot be ruled out.

At a less general level he may take a more generous approach to the clearing banks' deductions on their provisions for doubtful debts arising from loans to the less-developed world.

More broadly, Mr Lawson may also want to make some changes to taxation of North Sea oil, to remove the disincentive to invest in existing oilfields and gasfields.

According to the institute he could introduce an incremental investment allowance and abolish licence royalties at a cost of about £200m.

A new investment allowance would allow a percentage of new development costs to be offset against petroleum revenue tax and thereby extend the benefits afforded to new fields in last year's budget to others.

In 1984 the Chancellor's aims were to rid the company tax system of distortions created by past policies and, through time, to bring about a markedly lower rate of tax on profits.

In the period of transition from old to new, he said, the measures would have a broadly neutral effect on the financial position of companies.

Finally, the new system would have the important and lasting effect of promoting economic investment by British industry.

To do this, Mr Lawson progressively cut investment allowances, abolished stock relief and companies' national insurance surcharge and announced a phased cut in the rate of company tax from 50 per cent to 35 per cent of taxable profits.

It would be churlish to deny that the reforms to the company tax system were not needed and that the stated principles on which the changes were made were rational and reasonable.

However, in the transition period, corporate Britain's experience of the new system proved contrary to the Chancellor's stated intentions. Over the longer term the system is still plagued by "non-neutralities."

The growing proportion of revenue derived from the corporate sector attests to the unanticipated consequences of the reforms.

It is difficult to disaggregate the effects of the new system, in terms of extra revenue, from the effect of the rise in profitability in a period of sustained economic expansion but the effective rate of tax has risen substantially since the reforms were introduced and they have proved far from neutral.

The company tax system is still biased in favour of debt finance compared with equity finance, with tax relief for interest payments at 35 per cent compared with 27 per cent for dividends.

Moreover, because of the removal of stock relief – which cut tax by the amount the value of stocks would have increased if they had risen in line with the "all-stocks" index – the system is now prey to effects of inflation.

In a study last year Mr John King and Mr Charles Wookey, of the institute, estimated that companies, at rates of inflation below 7 per cent, would pay less tax than under the old system, but that at rates above 7 per cent they would pay more.

This is because the new tax base is close to historic-costs profits, whereas the previous system insulated companies from most of the effects of inflation.

As institute studies show, the period of greatest anomaly in respect of effective rates of tax were 1984-85 and 1985-86.

Institute simulations suggest that the effective tax rate reached a peak at 32 per cent in 1986 and then began to fall.

On the basis of unchanged policy the effective rate of tax would not have risen by as much over the same period but neither would it have fallen as fast.

By this year, therefore, the institute estimates the reformed tax system would impose an effective tax rate on industry of about 28 per cent, 3 percentage points lower than would otherwise have been.

Perhaps the biggest flaw in the reformed system is that it is non-neutral and acts as a disincentive to real investment.

Neutrality requires there to be no difference between the pre-tax and post-tax rates of return on any given investment.

According to a recent study by Mr Devereux the reformed tax system produces, on average, disincentives for investment in plant, machinery and stocks whereas the old tax regime had an inbuilt incentive to invest.

Overall he finds it has cut the extent to which there is an incentive to use debt finance compared with equity or retained earnings, although a non-neutrality still exists.

The new system, by withdrawing subsidies to investment, has not only increased the tax base but also cut the degree of possible resource misallocation.

Acrylics hit by imports

BY ALICE RAWSTHORN

THE YORKSHIRE wool industry has been struck by job losses and short-time working following a sudden decline within the acrylic spinning sector.

The causes of the industry's problems are threefold:

● British knitwear manufacturers – the chief customers of the Yorkshire industry – face an increase in imports from the Far East, fuelled by the fall in the Far Eastern currencies.

● The recent trend towards more tailored clothing has sapped consumer demand.

● There has been an influx of cheap Turkish and Mexican acrylic yarn to the UK. The European Commission recently imposed quotas on Turkish yarn exports, which, the industry believes are too generous.

TV industry unites against auction plan

BY RAYMOND SNODDY

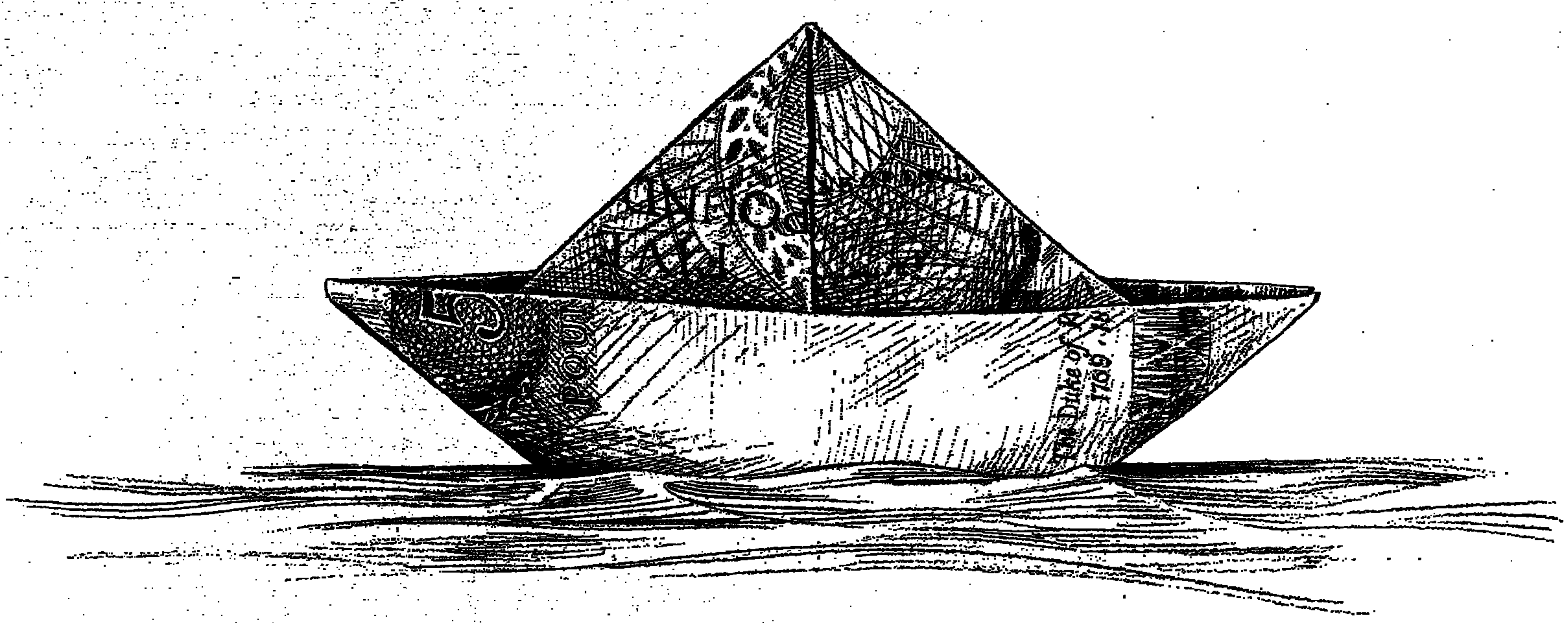
THE BRITISH commercial television industry was uniting yesterday to try to oppose the implementation of Government plans to auction 15 independent television franchises when they next become available in 1992.

Mr Christopher Bland, chairman of LWT (Holdings), the company which owns London Weekend Television, said that many of the Government's proposals such as the encouragement of independent producers were potentially beneficial for the industry.

But, he said: "This (competitive tendering) is the one thing that the industry regards as being without any conceivable virtue or practical merit. It just seems to be wholly and totally wrong."

The ITV Association, which represents all the ITV companies, last year commissioned research from National Economic Research Associates on all aspects of the future of ITV including the consequences of auctioning franchises.

The NERA report will argue that an auction system might damage programme standards. It foresees a tendency to over-bid and then cut programme expenditure.



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Alice Rawsthorn reports on how imports priced in dollars and US protectionism have cut domestic demand

Shoe industry feels the Far East pinch

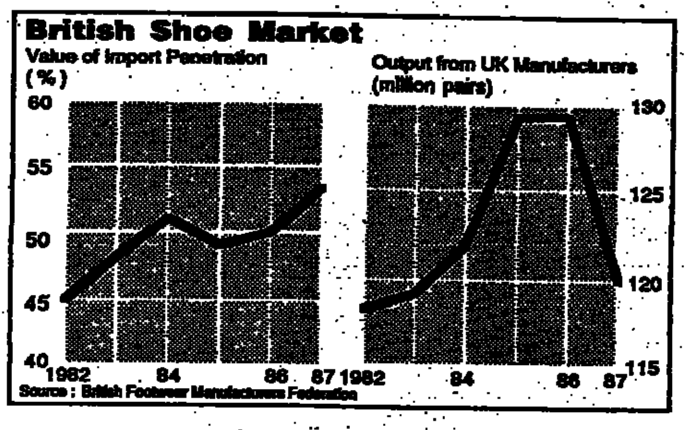
THE BRITISH footwear industry began 1987 with equanimity. Order books were healthy. Output was encouraging. The increase in imports had been halted. The prospects for exports were excellent. But the industry began 1988 in a very different mood.

Business was buoyant for Britain's shoe manufacturers in the opening months of 1987, but as the year wore on the industry dipped into decline. Orders dried up and output was depressed. By the end of the year many footwear firms had resorted to emergency measures such as the introduction of short-time working.

Last week the British Footwear Manufacturers Federation revealed the full extent of the industry's problems when its end of year statistics showed that both the volume of deliveries and the value of orders fell 7 per cent in 1987.

The chief cause of this decline was the weakness of Far Eastern currencies linked to the US dollar, and the consequent influx of imports from low-cost producers in the Far East.

First, the drop in the dollar's value enabled Far Eastern footwear to become even more competitive than that produced in Europe. Second, the vogue for protectionism in the US has prompted the manufacturers of Hong Kong and Taiwan to turn their attention to the more open European markets.



This has dealt a double blow to UK manufacturers. Some have lost sales within the home market as retailers have reduced orders to their established suppliers in order to take advantage of the keener prices from the Far East. Others have seen their profitability plummet as the flood of Far Eastern footwear has depressed retail prices.

Yet the surge in imports is not the only source of the industry's troubles. It has also suffered from the parallel problems posed by a change in fashion and a downturn in consumer demand.

In recent years the prevailing trends – classic, court shoes for women and traditional brogues for men – have favoured British manufacturers. Such styles were not only suited to the expertise of British companies, but also courts and brogues could be produced cost-effectively.

Last autumn shoe styles became more complex. The production process became more labour-intensive and manufacturers' costs rose accordingly. But if British companies were to remain competitive with imports, they could not afford to pass on this cost increase to their retail customers.

This problem was compounded by the sluggish state of High Street sales. Both the multiple groups which dominate footwear retailing – British Shoe Corporation, part of the Sears Group, the UK retailer, and the privately owned C and J Clark – saw sales slip below expectations in the autumn.

The manufacturers of women's shoes were worst affected, because they bore the brunt of both increased import penetration and the drop in consumer demand. But as Mr Alan Linton, chief executive of Lambert Howarth, one of the biggest footwear producers, said: "Suddenly everything seemed to go wrong for the footwear industry."

The first indication of the financial impact on the industry emerged last week when the FII Group's interim results revealed a sharp fall in profitability. FII, generally considered to be the most efficient footwear company in Britain, saw its profit margins fall from 15 per cent in the last full financial year, to just over 10 per cent.

Mr Monty Sumray, the chairman, attributed the fall to the increase in costs following the change in fashion and intense competition.

FII's solution is to nurture new markets overseas, although Mr Sumray gives a warning that the success of such a venture will depend to a great extent on currency movements. The group also intends to broaden its product range to use the competitive advantage of its high-tech production plants to secure new customers in the home market.

Similarly Lambert Howarth plans to exploit its economies of scale as a large producer by investing in new technology to improve productivity. British Shoe Corporation began a thorough review of the future of its manufacturing interests late last year.

Throughout the industry there is evidence of cutbacks in production and the introduction of short-time working. Many factories expect to return to normal output over the next few weeks as they begin to manufacture for the autumn. However, since the start of the year there have been reports of lay-offs among some of the smaller companies.

The outlook for the industry is every bit as gloomy. The BFMF has made formal representations to the Government to ask for the flow of imports from Taiwan – generally perceived as the most "threatening" of the Far Eastern production centres – to be restrained.

However, before the Government can act it needs evidence that Taiwanese imports have disrupted the industry. In the meantime Britain's shoe manufacturers have no option but to wait.

Industry to rent defence labs

BY LYNTON MCLAIN

THE MINISTRY of Defence is to offer to sell services provided at some military research establishments to industry.

The aim is for the MoD to make money out of its research facilities when these are not in use for military purposes and to give industry access to facilities that have not previously been available outside the ministry.

The proposal was launched yesterday as a joint civil industrial access scheme by the MoD and the Department of Trade and Industry.

The access scheme makes available facilities and expertise at the Admiralty Research Establishment, the Royal Aircraft Establishment, the Royal Armament Research and Development Establishment and the Royal Signals and Radar Establishment.

Companies will be able to use these research facilities for their own experiments.

The scheme was launched by Mr John Butcher, the Industry Minister and Mr Tim Sainsbury, the Minister for Defence Procurement.

Hermon assails Sinn Fein

BY OUR BELFAST CORRESPONDENT

SIR JOHN HERMON, chief constable of the Royal Ulster Constabulary, last night accused some councillors representing Sinn Fein, the polical wing of the IRA, in Northern Ireland of being active members of the outlawed Provisional IRA.

He made the allegations in a BBC television programme which dealt with the movement of weapons and ammunition from Libya to Ireland.

Sir John said he found it difficult to differentiate between Sinn Fein and the IRA.

Sir John said he was satisfied that some Sinn Fein councillors were active IRA members.

Mr Gerry Adams, Sinn Fein president, said Sir John's allegations were untrue.

Orphée et Eurydice/Paris

Max Loppert

The most rewarding part of the new Paris production of Gluck's *Orpheus and Eurydice* was the chance to visit the theatre in which it is being given. The *Théâtre des Champs-Elyseés,* Gabriel Astruc's 1913 Greek temple of the musical arts, was not long ago completely renewed and refurbished.

It is a joy to see, to sit in, and to hear music in. The dome, with *its noble dedicatory* inscriptions, sits light and airy. Maurice Denis's frescoes gleam and glow. The serene combination of art-nouveau ornamental details and light-grey marble proscenium arch affords quiet delight. The acoustics are limpid, full, and clear. This was Proust's "unique theatre, true temple of music, architecture and painting," and after many years of shabbiness it has been restored to its original uniqueness.

Almost *everything* about the performance I attended there was, by contrast, disappointing, or worse. This new production of *Gluck's* opera by the company now installed at the Champs-Elyseés was intended to be a homage to Berlioz and Pauline Viardot, as well to the composer himself at the tail-end of his bicentenary year. In 1859, Berlioz, one of the *greatest Gluck devotees of all* time, adapted the French (1774, with tenor hero) score with the express purpose of reviving a by then semi-neglected masterpiece for one of the greatest singers of all time. Pauline Viardot was then nearing the end of a career in which her protean genius (not too strong a word) for music and for theatre had already made *heavy demands on her voice;* but the Gluck-Berlioz Orphée was probably the most spectacular triumph in her glorious, triumph-filled career.

For Marilyn Horne, at a not entirely dissimilar point in *her* career, Charles Mackerras and the Champs-Elyseés producer Gérard Vergez must have had a similar goal in mind. But success is severely compromised by the staging – a poverty-stricken single-set construction around a *Falstaff* -like tree, upon which there prance and play Puvis de Chavannes nymphs in pastel colours (in the Elysian fields male and *female dancers wear the same* rose-bedecked frocks). Feeble choreography and a general air of denatured artiness that might almost have been the work of E.F.Benson's Lucia sink the work almost beyond recovery: the third performance found the Paris audience in a particularly vociferous, incredulous mood, and, though booing is always a *horrid sound, it was not difficult* to see how sorely they had been provoked.

But in spite of everything it could, one guesses, be held together by an Orpheus of genius – which is what, after all, a Viardot tribute of this sort predicates. Horne's voice, that rich, rangy, brilliantly agile mezzo-soprano, has stood her in excellent stead over a long career, but it no longer disguises wear and tear; and, while Viardot was renowned for finding new dramatic inspiration in her own vocal unevennesses, in Horne's case one simply spent much of the evening wishing the clock could be turned back.

Some phrases, keeping within a central octave, were pure and steady, but for notes above, visible and audible effort was required; and one never at any moment sensed that special transforming eloquence of utterance, that noble passion fired into music, that makes the difference between a routine and an inspired account of this score. She tackled the 1774 florid aria in a downward transposition, and removed from Viardot's famous closing cadenza most of the highest notes. Dramatically, she was a stocky middle-aged lady swathed in a gold cape who strode about the stage, occasion*ally shaking a plump arm.* All pretence at impersonating Orpheus was avoided.

Mackerras, conducting the excellent Ensemble Orchestral de Paris and Choeur Lyrique de l'Ile-de-France, was on a kind of superior automatic pilot, at his worst while rattling through the Dance of the Furies (not his fault that this addition to the Paris score makes no real dramatic sense at this point, but he can be blamed for whizzing through it so impassively). Anyone who has heard this conductor at his best in Gluck will know what was missing here. Ruth Ann Swen*son's Eurydice* was beautiful, touching, a little thin. Sophie Marin-Degor's Cupid was acid but lively.

The final disappointment of the evening was that this was not, as loudly proclaimed, the "Berlioz version," but simply the usual post-Berlioz mishmash of the tenor score in French. Berlioz removed quite a few of Gluck's *dances, re-ordered one or two of* the internal sections, and closed with the final chorus of *Echo et Narcisse:* his is a shorter, trimmer edition (it exists in vocal score) than that we heard, and it would have been interesting to have it tried out just once. A minor point – but a significant small indication of the lack of clear purpose at the heart of this sadly misguided venture.

Carmina Quartet/Wigmore Hall

David Murray

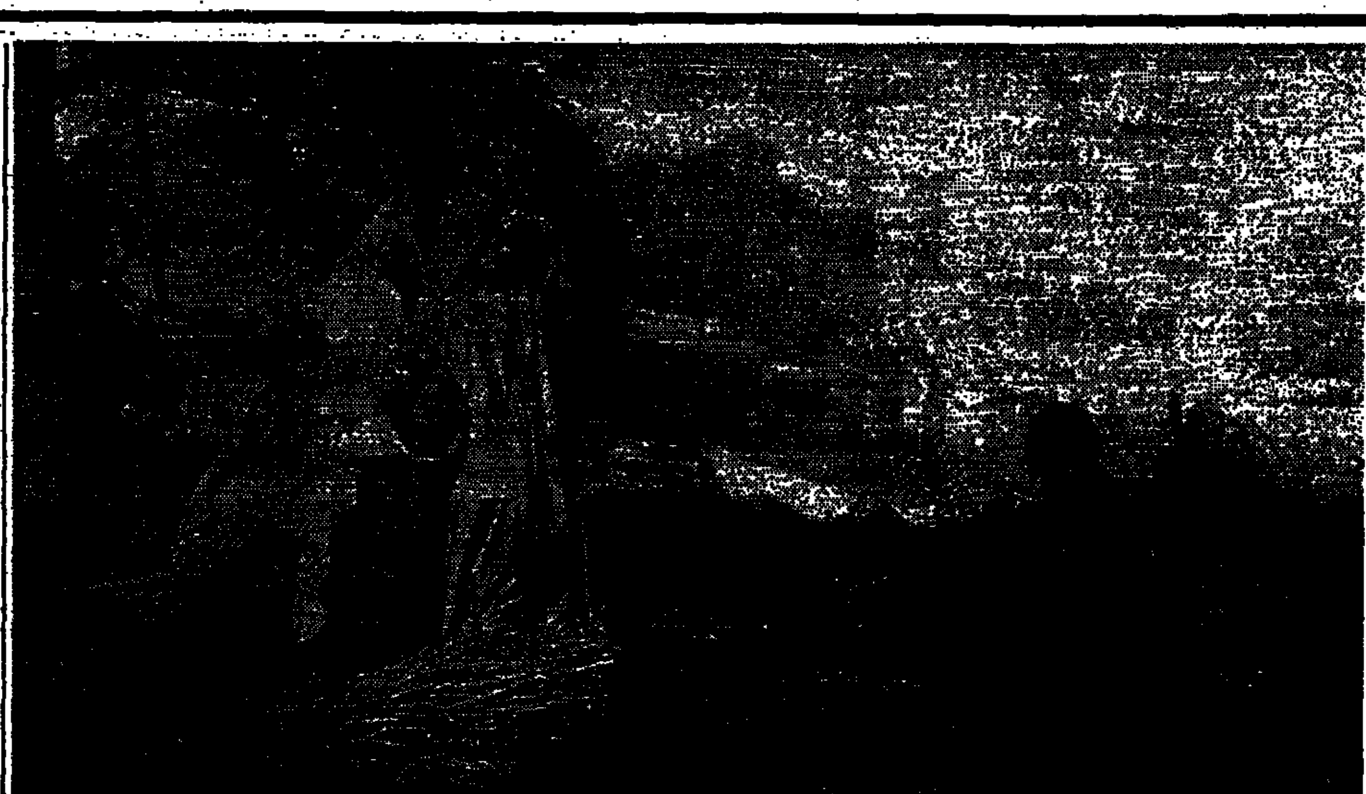
On Sunday morning the young Carmina Quartet fully confirmed the golden opinions they have been winning since the controversial and anything-but-unanimous decision to award them a second prize (there was no first) in an Italian competition last year. They are surely the most exciting new quartet to appear since the (even younger) Salzburgers who make up the Hagen Quartet.

The Carmina began with the magnificent late Haydn G major, op. 76 no. 1. I do not remember hearing the elaborate counterpoint of the opening Allegro brought to life with such tingling clarity, nor the super-fleet Menuetto (halfway already to a Mendelssohn scherzo) made so fluently bright. A great Carmina asset is their sparing use of vibrato, something which is safely possible only for a quartet very sure of its pitch – liberal vibrato makes a safety-net for slightly misplaced fingers. The taut, sinewy Carmina sound in Haydn was wonderfully bracing.

Chaikovsky's B-flat minor Quartet – for quartet-writing the choice of that five-flat key is downright perverse – is a sore test for anybody's tuning, and again the Carmina met it with flair. No wooziness even in Chaikovsky's most recklessly chromatic passages; and some opulent new breadth for the quasi-orchestral perorations. No doubt this astonishingly accomplished performing is beholden to the Carmina's distinguished teachers (Harnoncourt, Sándor Végh and the Amadeus team), but there is also a shared executive style, rare among young ensembles, which they must have evolved themselves, and which focuses their music superbly.

Järvi to leave SNO

Neeme Järvi is leaving the Scottish National Orchestra as musical director and principal conductor. He will be succeeded by from May 14 by Bryden Thomson.



Autumn 1863: a composite print from four negatives by Henry Peach Robinson

Barbican Gallery/William Packer

Through a lens differently

Two exhibitions for the price of one at the door is never a bad idea, but there remains always *the danger that the more delicate* offering may be overpowered by the more positive treat next door. So it is with the Arts Council's Freud and Fenton at the Hayward, both of them magnificent exhibitions in their own right, but an odd combination. And while the two new exhibitions at the Barbican Gallery (until April 24) have the medium of photography in common, they could hardly be more distinct in material, preoccupation and creative sensibility.

Karsh of Ottawa has been court photographer to the great, the good and the merely famous for some 50 years, his signature a proof of the achievement of a certain position in the world. And though there have been times when his steady professionalism and formulaic treatment of his subjects have seemed almost to *parody themselves, his success* has continued undiminished. Now professionalism is no longer the dismissive word it so lately was, Karsh's very steadiness and consistency seem more to confirm than qualify his standing as one of the most distinguished portrait photographers of modern times.

His formula has served him well: a confection of strong side-lighting and dramatic chiaroscuro that, for all the habitual *simplicity of the presentation,* insists upon the immediate, portentous presence of the sitter. It is an approach that is reinforced in its effects by his life-long commitment to large-plate cameras, with the sitting concentrated upon comparatively few exposures. As he told a crowded press conference, 12 should be enough; which, to a generation brought *up to the manifest advantages of* motorised reels and rapid fire, was mild enough a reproof.

He is inclined to rely upon a *few obvious props and settings* – the artist shown with his work, the musician with his instrument, the statesman in his study, the philosopher with head in hands – and it is this very directness, amounting at times *almost to naivety, which is the* great strength of the work. The point is made – albeit by default – in those portraits in which Karsh has attempted something lighter, cleverer or more artificial but has managed only to achieve the arch, or faintly ludicrous. He is not at his best with groups of figures, nor necessarily with pretty young actresses, and inclined to score rather less for artistic impression than for technical merit.

He was neither the first nor will he be the last photographer to employ such methods, but, even so, it is to him we shall always look for some of the definitive iconic portraits of the second half of the 20th century: to Churchill in Downing Street in 1941; Bogart wreathed in cigarette smoke; Hemingway besweatered; Audrey Hepburn ravishing, and Einstein benign. This exhibition, which celebrates Yousuf Karsh's 80th birthday, is sponsored by Merrill Lynch Europe, and goes from London to Paris, Geneva, Zurich and Frankfurt.

*

Impressive as it is, however, the more critical and fascinating exhibition is the study of the life's work of the neglected pioneer Victorian photographer, Henry Peach Robinson, in the upper gallery. It was organised *by the National Museum of Photography*, where it was first shown, and from London goes on to Bath, Liverpool and then on tour through Europe and the USA.

Robinson, the son of a Ludlow schoolmaster, was born in 1830. After serving as apprentice to a local chemist, he briefly studied painting and drawing, but at first seemed set to follow a career as a bookseller. It was only in the early 1850s that he became interested in photography, but once bitten his commitment was total. By 1856 he had set himself up in Leamington as a professional photographer and within a year was a member of the Photographic Society. He later went to London, but in 1868 he moved his business to Tunbridge Wells where he remained until his death in 1901.

He was in many ways an orthodox and unexceptional mid-Victorian in his work and general taste as an artist. His early paintings were conventional water-colour views of the local scenery, and he matured in general sympathy with the pre-Raphaelites as their influence spread through the community of artists. He developed a particular interest in genre scenes and tableaux, mostly set up as rural idylls with literary overtones, and, as a *painter alone, he would have* remained a minor figure, to flourish briefly and be forgotten. It is a great strength of this exhibition that it should establish Robinson so firmly in this contemporary context, not only by showing his own paintings and drawings but including works of the earlier 19th century that would have formed his taste, and later with *those of his contemporaries.*

But what makes him remarkable is not the kind of work he did, but what he did with it, and it was his conversion to photography that gave him his radical opportunity. From the first, his portrait and genre studies of the figure demonstrate an immediate natural facility and sympathy with his material, and through*out his career he would continue* to produce straight-forward images of the figure that are as sensitive and delightful as any. But, having mastered the technicalities of the medium, he soon found himself experimenting with ways of achieving rather more ambitious and complex compositional effects.

Wishing to use many figures in *his tableaux, that* were often to be set in the open air, but obviously constrained by both the practical difficulties and the theatricality in contriving a single set, he evolved by cut-out and collage an entirely idiosyncratic *method of multiple exposure and* combination print. He would build up his composition from its essential parts, one, two or three figures at a time, cut from the trial prints and pasted up to be worked up freely in water-colour into a full cartoon. Such preparatory exercises, the earliest dating from around 1860, are among the most fascinating works in the *show, beautiful as they stand and* to modern eyes entirely sufficient. The finished combination prints are technically remarkable and, in a time when Victorian art of all kinds has come back into critical focus, rather more substantial than mere curiosities.

The Little Black Book

Michael Coveney

The new theatre company Molière & Co has been formed to produce French plays in both French and English. They have started the ball not so much rolling as stuttering with Jean-Claude Carrière's *L'Aide Mémoire*, a 1968 boulevard two-hander, translated by Donald Watson as *The Little Black Book*.

It was performed in English last week by Jane Lapotaire and Jean-Pierre Cassel in the comfortably-refurbished Artaud auditorium in the French Institute, South Kensington, and can be heard, with the same actors, in French from tonight (Tuesday) until Saturday. The English version is given again for the third and final week.

One has to question the point of it all. Racine or Molière in French is nothing at all like the same authors in English. Molière I find, thrives best in Scottish versions anyway. And as for contemporary French plays, you hardly find them in France, let alone expect to find them in England.

This stiffly dated piece has been rashly compared with Pinter. It compares more readily with the Broadway romantic comedies of Bernard Slade. I find no connection at all between its circuitous verbosity and heavily contrived humour with the rest of M Carrière's impressive output.

Can this really be the same writer as Bunuel's collaborator on the unforgettably eerie *Discreet Charm of the Bourgeoisie*, as the sharply witty provider for Milos Forman's *Taking Off*, as the estimable translator of Peter Brook's *Timon* and, especially, *Measure For Measure*? What experience transformed the author of an implausible cat and mouse game into the adaptor of *The Mahabharata*?

For this play is nothing if not implausible. It cheats badly on the audience by exploiting a comic *doge* situation and arbitrarily turning the tables on us to suggest it is really just a private charade. Suzanne (Jane Lapotaire) arrives with a suitcase in the cramped apartment of Jean-Jacques (Jean-Pierre Cassel), a legal adviser. She does not know this indefatigable philanderer who lists his conquests (134 to date) in a black book but wants to find out if he has ever actually loved a woman.

As he rushes about changing his clothes to go to the office, or out to dinner, she calmly occupies his double bed. M Cassel splutters uneasily in fractured franglais while Miss Lapotaire purrs silkily between the sheets and around the sofa. Territory is claimed and ceded, Jean-Jacques' infatuation spurring him on to sell up his shares, lock the door and unplug the telephone.

It dismally dawns on us after a couple of excruciating hours that we are invited to consider the difficulty of ever knowing all there is to know about our loved ones. I detect a deep comment, too, on the insoluble block in Anglo-French relations. The Frenchman wants a mistress, but not an alliance.

The main flaw in Olivier Pierre's production is its failure to achieve a decisive comic tone. The result is you never know where you are with the wretched play and are left with two actors painfully contemplating a language barrier. They cannot even agree on how to pronounce "Patrick," so what chance have the eternal verities?

Alastair Muir

Jane Lapotaire and Jean-Pierre Cassel

Enlightenment/Elizabeth Hall

Max Loppert

The only feature of Saturday's concert by the Orchestra of the Age of Enlightenment to which one could possibly object is the band's continued use, long after sense or reason should use, long *after reason should have dictated* its abandonment, of such a ridiculously long-winded and pretentious name. Time for a change, surely! For the rest, it was an occasion of relaxed but unsleepy music-making on the highest level, a simple Haydn and Mozart programme formula fulfilled in a way to make the works sound new-minted and full of happy *surprises.*

Leading from the violin, Sigiswald Kuijken directed two entirely delightful performances of two Haydn symphonies, no. 46 and no. 82 ("The Bear"). It is a particularly refreshing aspect of the best "authentic" performances of Haydn that his music should once again sound so quirkily colourful in its invention, so *exhilarating in the pursuit of formal adventure.* I cannot recall a performance of "The Bear" in which the final drone bars made a more justifiably sensational effect – when a modern-instrument orchestra's homogeneity of tone colours is replaced in this way, by keenly distinct combinations, Haydn's madcap wit triumphs. The fact that in this half of the concert the pair of natural horns were regularly in trouble hardly seemed to *matter.*

After a bright but not machine-tooled *Figaro* Overture, the main business of the second half was a fortepiano performance by Melvyn Tan of Mozart's C minor Concerto, K491. This too was full of surprises. The grand, marmoreal facade was supplanted by a fine-threaded tapestry, intimate, delicate nuance, ideal balance between soloist and orchestra were its striking features; intimations of tragedy were not consciously sought, but made themselves subtly and sinuously apparent nonetheless.

Mr Tan had enriched the slow-movement line with stylish ornamentation, and spun it out with ravishing refinement and fantasy *of spirit. The performance hovered on the edge of preciousness,* but just avoided taking the plunge.

All evening, the strongly-individualized character of the woodwind was a special joy.

Rosalind Plowright/Elizabeth Hall

Richard Fairman

There are times when the mismatch of a large voice to a small hall can produce physically thrilling results. In recent years the appearance of Birgit Nilsson to sing Elektra at the King's Theatre in Edinburgh or the recitals given by Régine Crespin, even *though late* in her career, at the Wigmore Hall might be cited as examples.

To that *list* we can *now add* Rosalind Plowright at the Elizabeth Hall on Sunday, for there is no question that in terms of sheer volume this event fell in the same league. The soprano is in the prime of her career and, evidently, in the best of vocal health: the voice is admirably well supported and opens out at the top with such force that it seemed she might blow the roof off only days before the Elizabeth Hall reaches its 21st anniversary.

With this in mind, Plowright had accordingly chosen her programme carefully. A group of Verdi songs, which tread close to the operatic path, gave her the *chance to* work *within an idiom* for which she is already experienced; and there was a large number of big-boned songs – Strauss's *Cäcilie* or some of her Rakhmaninov – where the excitement of a voice unleashed, together with Geoffrey Parsons's massive accompaniments, is almost reason enough for singing the piece.

The real interest of the evening, however, came in seeing what Plowright might make of the more standard song repertoire, in which she has not often been heard here before. The Schubert group did not promise well: her German, though clear, is somewhat quaint and the crucial ability, needed by any *Lieder* singer, to scale the singing down is a requirement to which her voice simply cannot answer. As a result, the intimate songs all went for nothing.

Yet in her second group there was one item which may show the way ahead. Strauss's *Befreit,* one of the deepest and most intensely felt of all his vocal pieces, is also a song with a big top note at the end and its inclusion in a recital by an opera singer is all too often a choice made for the wrong reasons; but *Plowright was so clearly deter*mined to communicate its full meaning that any such fears were immediately dispelled.

For the encores a return to songs in an operatic style by Puccini and Ponchielli: a further opportunity for singing with a whiff of the opera-house and an apt reminder that this is where *the voice really belongs.*

Arts Guide

February 26-March 3

Music

PARIS

Paris Opéra. Homage to Serge Lifar by the stars and pupils of the Paris Opéra Ballet with Icare danced in Picasso's decor and costumes alternates with Katia Kabanova inaugurating a cycle of Janaček in a co-production with the Los Angeles Music Center Opera. The conductor is by Jiri Kout; Karen Armstrong, Barry McCauley and Leonie Rysanek express the tragic catastrophe of a small town. (47425557).

Ensemble Orchestral de Paris (Théâtre des Champs Elysées). Orfeo et Euridice with Marilyn Horne, Ruth Ann Swenson and conducted by Charles Mackerras/John Burdekin. Andy de Groat is choreographer. (47203637).

LONDON

Royal Opera (Covent Garden). Margaret Price, a British soprano sometimes more honoured abroad than at home, returns to the Royal Opera in the revival of Un ballo in Maschera. The cast also includes Giacomo Aragall, Giorgio Zancanaro, and the great Russian mezzo-soprano, Irina Arkhipova. Richard Armstrong conducts. (240 1066).

English National Opera (Coliseum). The first ENO production of Britten's Billy Budd assembles a greatly promising cast – Thomas Allen in the title role, Philip Langridge and Richard Van Allan, David Atherton conducts and Tim Albery is producer. Also in repertory this week: Graham Vick's deeply unsatisfactory Madam Butterfly production, with Janice Cairns and Edmund Barham as Cio-Cio-San and Pinkerton; and the limp latest revival of David Pountney's un-Offenbachian Orpheus in the Underworld, in the celebrated sets of Gerald Scarfe. (836 3161).

Royal Opera House (Covent Garden). Royal Ballet triple bill. (Wed).

WEST GERMANY

Berlin, Deutsche Oper. Der Liebestrank in John Copley's production has Luciano Pavarotti in the title role. Hoffmann's Erzählungen has fine interpretations by Faye Robinson, Robert Hale and Kenneth Riegel. Tosca is steered to a triumph by Linda Martin, in the title role, with Ingvar Wixell and John Sandor. Die Verkaufte Braut. (34 381).

Hamburg, Staatsoper. La Traviata features June Anderson and Leo Nucci. Don Giovanni has Karita Mattila and Samuel Ramey. John Neumeier's ballet production of Tchaikovsky's classic The Nutcracker rounds off the week. (35 11 51).

Cologne, Opera. Don Pasquale features Reinhard Dorn and Janice Hall. Figaro Dame takes the leads Josef Protschka and Nadine Secunde. Aida, sung in French, stars Awilda Verdejo and Ulrich Hielscher. (20 761).

Frankfurt, Opera. This week's highlight will be the premiere of Otello, with Rene Kollo in the title role and Gary Bertini as conductor. Cosi Fan Tutte brings Margaret Marshall and Hans Peter Blochwitz together. (25 621).

Munich, Bayerische Staatsoper. Rossini's rarely played Mose has a particularly strong cast with Carol Vaness and Francisco Araiza. Otello has Elisabeth Connell and Piero Cappuccilli. Also to be seen is Romeo and Juliet, choreographed by the John Cranko. (21 851).

ITALY

Milan, Teatro alla Scala. Francesco Cilea's Adriana Lecouvreur continues Montserrat Caballe (alternating with Adriana Morelli), Jose Carreras and Fiorenza Cossotto. (80 91 26).

Milan, Teatro Lirico. Giselle danced by Carla Fracci (alternating with Anita Magyari and Renata Calderini) and Rudolf Nureyev (alternating with Gheorghe Iancu and Maurizio Bellezza) with choreography by Yvette Chauvire and Bruno Vescovo. (86 64 18).

Rome, Teatro dell'Opera. The Teatro dell'Opera's ballet company at last gets a look-in this season in Mendelssohn's operatic setting of Shakespeare's A Midsummer Night's Dream where Pierre Lacotte has replaced Heinz Spoerli as choreographer. The music is arranged by John Lanchbery and conducted by Alberto Ventura. (46 17 55).

Naples, Teatro San Carlo. Richard Wagner's Parsifal produced and directed by Gustav Kuhn, with scenery and costumes by Peter Pabst. The cast includes Peter Winberger and Lia Frey-Rabine. (41 71 44).

Turin, Teatro Regio. A new production by Ugo Gregoretti of Puccini's Don Pasquale, with scenery and costumes by Eugenio Guglielminetti which make the most of the opera's Rome setting. (54 80 00).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera in Salomé by Richard Strauss, directed by Harry Kupfer. Hartmut Haenchen conducting the Rotterdam Philharmonic, with Eva Marie Bundschuh in the title role. The Laura Dean Dancers and Musicians from New York perform the world premiere of a new ballet, plus Impact and Magnetic (Tue). (25 54 55).

Arnhem, Schouwburg. Alexandra Radius and Han Ebbelaar in a programme of dance choreographed by Nils Christe to music by Stravinsky, Bartok, Gershwin and Liszt (Tue). (42 27 41).

NEW YORK

Merce Cunningham Dance Company (Joyce). Two major premieres are included in the four programmes during the month-long schedule of 13 works. Ends March 27. (242 0800).

Metropolitan Opera (Lincoln Center Opera House). James Conlon conducts August Everding's production of Khovanshchina with Wendy White, Timothy Noble. James Levine conducts Otto Schenk's new production of Siegfried with Hildegard Behrens and Donald McIntyre. Nello Santi conducts Leila Miller in Nathaniel Merrill's production with Silvia Mosca and Paul Plishka. (362 6000).

WASHINGTON

Washington Opera (Kennedy Center Opera House). Frederica von Stade is the title role in Cendrillon conducted by Mario Bernardi joins Beethoven's only opera Fidelio. It is conducted by Gerard Schwarz, produced by Michael Hampe's and features Leila Anderson-Palme as Leonore, Herbert Eckhoff as Don Fernando and Marcus Haddock as Jaquino. (254 3770).

TOKYO

Le Jeune Ballet de France (Yubin Chokin Hall). This youthful company's repertoire ranges from the classics to Chorus Line. Shiba Koen. (Wed) (237 5599).

Fujiwara Opera Company (Shinjuku Bunka Centre). La Traviata (in Italian) conducted by Edoardo Muller, directed by Gianpaolo Zennaro. (Tue, Wed) (371 5394, 359 7020).

Japan Ballet Association (Tokyo Bunka Kaikan). Featuring Japan's leading prima ballerina, Yoko Morishita in Sylvia. (Wed, Thurs). (594 7484).

Rafael Orozco/Elizabeth Hall

Max Loppert

The Sunday afternoon recital by the winner of the 1966 Leeds Piano Competition showed that Mr Orozco is still a frustratingly uneven pianist. At moments he can seem like one of the important Romantic pianists . . . and then the impression fades, and what one is left with is an excitable, impatient and ill-disciplined player who splurges out loud phrases and virtuoso passages with apparent disregard for everything that interferes with the excitement of the moment.

He began with the Beethoven E minor Sonata, Op.90, shaping it in fits and starts on a current of nervous energy that produced an effect of impetuosity without spontaneity. Nervous energy and a bright, sometimes glistening *clarity of articulation* are preferable to dullness or sleepy routine; nothing that the Spanish pianist played gave the least hint of routine, but as soon as the figuration grew busy, the inaccuracies came thick and fast. His whirlwind rip through the Schubert *Wanderer* Fantasy, again thick with finger-slips, was at the opposite end of the compass from Brendel's recent stretch of desiccated didacticism (in his Festival Hall Schubert series); if only the two could have been blended together!

After the interval Mr Orozco played the Chopin F minor Fantasy (exquisitely beautiful opening, poised and pointed; rackety, barnstorming finale) and three Liszt pieces – two of the Petrarch Sonnets, 104 and 123, and, at last, a sustained piece of piano playing spanning a wide range of dynamics and showing a lucid, mature sense of musical structure, *Après une lecture de Dante.* A pity there couldn't have been more of the same earlier.

Concert to aid storm appeal

Judi Dench, Michael Williams and Ian Wallace are to appear in a royal gala concert in aid of the National Trust Trees and Garden Storm Disaster Appeal.

It will be held on Monday April 11 at the Festival Hall in London in the presence of the Duchess of Gloucester and will be given by the English Sinfonia conducted by Sir Charles Groves.

The programme is entitled *A Celebration in Words and Music of English Gardens and Landscapes.*

The concert will be sponsored by Conoco.

FINANCIAL TIMES

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Tuesday March 1 1988

A straw in the wind

JUST TWO weeks before the British Budget, yesterday's trade figures have delivered a warning shot across the bows of the Chancellor's fast-moving economic vessel. This particular statistical cannon is notoriously inaccurate, but it provides a warning that cannot always be ignored.

The trade deficit for January has been reported provisionally at £1.505bn, with the current account deficit being estimated at £905m. Monthly figures are impossible to interpret with confidence, but the wider picture is not too murky. For the last three months the current account deficit has been provisionally estimated at £1.771bn, which is over £7bn at an annual rate. Since the London Business School, to take one example, has recently projected the current deficit for 1988 at £4.1bn, there needs to be a significant improvement in the underlying trend if the forecast is to be proved right.

Three questions arise: Does the January figure add any useful information to what was already known about the trend? Does the emerging deficit present a serious economic problem? Finally, what should the Government do about it?

The January figures do look peculiar. The major change was in exports, which fell by £634m, a decline that more than offset the £139m reduction in seasonally adjusted imports. The volume of exports (excluding the more erratic items) fell by 7 per cent between December 1987 and January 1988 on a seasonally adjusted basis. This looks frightening, but it should be recalled that December was an exceptionally good month. The seasonally adjusted volume of exports (excluding the more erratic items) in the three months November to January was 2½ per cent up on the previous three months. Interestingly, imports in the latest three months (excluding the erratic items) were also 2½ per cent up on the previous three months, though by 10 per cent over the year.

A little freakish

In short, the January figures look a little freakish. In any case, there are good reasons for not being too worried about the current account deficit. Both the "black hole" in the global balance of payments and the large balancing item in the UK figures suggests that things may not be as bad as they appear. Furthermore, as a country with good creditworthiness, relatively rapid productivity growth, improved corporate profitability and strong public sector finances, the UK appears to be in quite a good position to finance a current account deficit. With the US expected, indeed importuned, to reduce its external deficit, it is appropriate for the UK to be among those who now act as "borrowers of last resort."

In the present case the external deficit largely reflects the low rate of private savings in the UK, the main reason for the buoyant domestic demand. Even so, there could be problems ahead. While one hopes that individuals have judged their ability to service debt correctly, the ultimate rise in the external account will require adjustments in the real economy that may be difficult to achieve.

Interest rates

For such reasons the Government cannot be unconcerned about the external position. But its main concern has to be with the danger of which the external account is a symptom: strong home demand. The Chancellor's room for manoeuvre on tax cuts looks decidedly small. Certainly, one would not expect him to cut by more than the £3bn or so consistent with offsetting real fiscal drag and the decline in public expenditure as a share of GDP.

So far as the external deficit is concerned, his main task is to ensure that it can be financed. He must also ensure that the external adjustment, whenever it occurs, can be managed without inflation. For both reasons he will have to reconfirm the exchange rate target, by raising interest rates whenever the opportunity arises.

Experience suggests that creditors ultimately panic in the face of foreign exchange risks. They need to be convinced that those risks are small and, consequently, that the external adjustment will ultimately be made without inflation. In the face of these uncertainties the prudent financial navigator will need a tight fiscal belt and monetary braces too.

How to control farm subsidies

THE EUROPEAN Community has been rightly accused by its trading partners in the General Agreement on Tariffs and Trade (Gatt) of dragging its feet in the Uruguay Round discussions on farm reform. Its domestic budgetary problems have been a sharp reminder of the continuing cost of farm support. But now that internal wrangling over the shape of the EC farm budget has been brought to an end by last month's summit agreement in Brussels, it is time for the Community to redirect its atention to the world arena. In the long term this is the only context for agreeing reforms which would reduce the cost of support to sustainable levels.

More than a year into Gatt's Uruguay Round of multilateral trade negotiations there is still widespread disagreement over how to handle agriculture.

The ever-ambitious US has proposed an end to all production-related subsidies within 10 years. The Cairns group of non-aligned "free-traders" has urged long-term reform backed by immediate action to reduce the level of farm support and increase market access. Japan wants a gradual elimination of export subsidies but not domestic subsidies that are needed to ensure food security. The EC has suggested immediate action to stabilise markets for cereals, dairy products and sugar, but is vague about long-term reform.

Key plank

An attempt to reconcile these positions is now urgent. Gatt is to hold a ministerial mid-term review of the Uruguay Round in Montreal in December. Unless there is tangible progress towards farm reform by then, the review will lack credibility, tainting expectations for the round as a whole.

From the outset the EC made Gatt negotiation on agriculture more difficult than it might otherwise have been by insisting that reform discussions should not just centre around the export subsidies that are a key plank of its own support programme. Officially, the scope of the negotiations includes all measures affecting import access and export competition.

The generally presumed objective is to reduce overall support levels by reference to a broadly defined measure such as the OECD's Producer Subsidy Equivalents (PSE). Reducing the margin of support to a more or less uniform world-wide level is scarcely realistic, however, because it would impose a politically unacceptable burden on countries with a comparative disadvantage, such as Japan, which are worried about food security.

Stumbling block

Gatt rules for manufactured goods permit domestic industries to be protected, but are unequivocal in outlawing export subsidies. By analogy the question of export subsidies will have to be tackled in the Uruguay Round talks on agriculture if meaningful results are to be achieved.

The EC determination to retain its right to subsidise exports is probably still the greatest single stumbling block to world agricultural reform. If it is at all serious about the talks, it should seize the present opportunity to develop a new approach.

One solution might be a system in which the permitted level of assistance for a particular commodity would depend on whether the commodity was exported or not. Acceptable levels of support could still be calculated by reference to the PSE, but they would not be the same for all. Net exporters of particular products would agree to a substantially lower maximum PSE than net importers.

There is admittedly an important caveat. To maintain discipline under the new system, countries would have to agree in advance on an automatic trigger mechanism for changes in minimum PSEs as producers move in and out of export surplus. There should be no opportunity after the fact to negotiate a way out of obligations to reduce support.

Such a system would go some way towards meeting the EC position, because it would not outlaw export subsidies altogether. Instead it would penalise those countries which used them to offload surplus production. Over time, surplus output which has depressed world prices and fuelled demands for ever increasing subsidies would diminish and perhaps even disappear.

While attention focuses on NHS funding, **Alan Pike** looks at the links between health and deprivation in Britain

How one thing leads to another

THE PORTRACK & Tilery and Glebe wards of Stockton-on-Tees each have populations of about 6,000. They are no more than two miles apart, but on some measurements of their populations' health, they stand separated by more than 50 years.

These two little-known districts of a northern town are not some statistical freak. Countless similar health disparities exist within Britain's population, with the result that premature mortality rates can vary by 100 per cent or more between places only a short bus journey apart. The problem raises issues which in many ways dwarf the current crisis over National Health Service funding.

Portrack & Tilery consists mainly of council housing, much of it depressingly past its best. It is edged by factories around Stockton town centre. Glebe shows obvious signs of good housekeeping. A variety of architectural styles indicates a steady growth of owner-occupied property through the century. The ward contains the Cleveland Nuffield Hospital, one of relatively few private hospitals in the north.

During a recent three-year research period, 100 of Portrack & Tilery's 6,042 population died "prematurely" – before the age of 64. The equivalent number among neighbouring Glebe's 5,914 residents was 31.

Another way of looking at this difference is through the Standardised Mortality Ratio which enables comparisons in death rates to be made between districts after taking account of variations in the age and sex structures of their populations. Taking the norm for England and Wales as 100, Portrack & Tilery's SMR during the three-year research period was 200. The comparable figure for Glebe was 83.

Yet another illustration is in terms of the general improvements in mortality which have taken place in Britain this century. On this measurement, death rates of people aged 45-75 in places like Portrack & Tilery are still stuck at the national level of the early 1930s.

Peter Townsend, Professor of Social Policy at Bristol University, and colleagues who carried out the research, with the support of the Northern Regional Health Authority, also looked at differences in birth-weight and long-term sickness.

The percentage of babies with low birthweights in Portrack & Tilery during a three-year period was 15.3, compared with 3.9 in Glebe. In the last national census, 5.3 per cent of Portrack & Tilery's population was declared permanently sick or disabled, against Glebe's 1 per cent.

The differences in housing types between Portrack & Tilery and Glebe reflect other variations in the two communities. Portrack & Tilery, at the time of the research, had an unemployment rate of 29.1 per cent. Fewer than a quarter of families owned their own homes. Social classes IV and V – the manual and unskilled – accounted for 41 per cent of households and 70 per cent of families did not own a car.

In Glebe the comparable unemployment figure was 6.7 per cent, only 7.1 per cent of homes were not owner-occupied and class IV and V families formed only 12 per cent of the total. Car ownership, taken as a measure of relative prosperity, extended to 83 per cent of households.

Professor Townsend's research covered all 678 electoral wards of the local authorities in the northern economic region and many similar disparities are disclosed by the results.

Another Townsend study – of London last year – indicated that death rates of middle-aged men in inner London boroughs like Hackney and Tower Hamlets are double those of outer ones like Bromley, while a boy born in one of the more affluent outer boroughs can expect to live four years longer (and a girl three years) than those starting life in the inner areas.

Extreme variations in health between places only a mile or two apart are, however, particularly visible on Teesside, where the difference in life expectancy between districts with the best and worst health records can be as much as 10 years. The Townsend team's research demonstrates that "one ward in five in Cleveland has a rate of premature mortality that is 50 per cent or more above the national average." Half the population of Middlesbrough and Hartlepool were found to be living in wards which had health records among the worst fifth in the entire northern region.

Yet the county also provides evidence of some of the best health in the north – illustrated by the contrast between South Bank, an inner-city part of the borough of Langbaurgh in the Middlesbrough dock area, which has an SMR for people aged up to 64 of 198, and Hutton, one of the borough's rural wards, with the very low level of 41.

Health and Deprivation is both the title of the Townsend team's study and the central theme of the work. Investigations of links between health and deprivation are not new. During the 1980s the most memorable contribution has come from the Working Group on Inequalities in Health chaired by Sir Douglas Black. It was set up by the last Labour Government and shelved by the Conservatives in 1980.

Explanations of why health varies between people, families and places are complex and still imperfectly understood. Part of the answer can be genetic and related to an individual. Part can be buried in an entire community's largely forgotten history of many decades ago – pollution perhaps, or a paternalistic employer's early interest in ante-natal care.

But it is difficult to discount a significant link between health and deprivation. This is particularly so when deprivation is taken to include not just the physical differences between places like Portrack & Tilery and Glebe, and not even just the employment and other economic opportunities that divide their populations, but the varying ways in which people in such communities think, eat, exercise, bring up children and use the health services.

However complex the mix of causes, the outcome is measureable. If the death rate in Cleveland had been at the national average between 1981 and 1985, there would have been 820 fewer deaths a year in the county.

Cleveland County Council, faced with some of the most extreme variations in health in the country, has conducted its own investigation with help from the county's three district health authorities. This concludes that while it is impossible to pinpoint exactly how poverty and social class may lead to ill-health and higher death rates "the association exists and it is very strong."

Dr Sam Ramaiah, the South Tees District Health Authority's chief medical officer, did his medical training in India. When he discusses health problems in Middlesbrough's inner city wards he is drawn to comparisons with the Third World.

"It would not be too much of an exaggeration to argue that the health problems facing parts of Middlesbrough are as serious as those in Third World countries. Social conditions undoubtedly have a major impact on health and this region has suffered severely from unemployment and all the problems that flow from it in recent years. The solution will not be found in extra resources alone. We have to encourage individuals to help themselves."

The county council study found that drug overdoses were higher in deprived areas than affluent ones and much more common among unemployed people. On a less dramatic, but often just as lethal level, Teessiders were found to smoke and drink more than the national average.

This is a regional extreme of a national trend, reflecting in part a higher-than-average proportion of manual households in Cleveland's population. New national figures released last month show that cigarette smoking is still far more common among manual occupational groups than non-manual. In 1986, 40 per cent of men in manual groups smoked compared with 26 per cent in non-manual occupations. For women the figures were 36 and 26 per cent.

Can the message that people in relatively deprived communities might, in addition to their other disadvantages, be avoidably contributing to their own early demise be communicated in a way that brings about change? There is evidence that deprived families make more than average use of the treatment facilities of family doctors and hospitals but less of the preventive services.

Dr Geoffrey Marsh, who runs a large general practice in Stockton, has conducted research which suggests that with sufficient effort and resources this imbalance can be changed. During a 15-month experiment his team managed to increase the proportion of patients from a deprived area bringing children for immunisation and using facilities like well-woman and well-man clinics to a generally greater level than people from a neighbouring, more affluent community.

He does not doubt the link between health and deprivation. "It is a question of one thing leading to another. When tiny scraps of underweight babies eventually leave the special care units and go to overcrowded homes, where there will be more danger of cross infection, it is not a good start in life."

The Government's recent primary health care White Paper places great emphasis on the need for improved health promotion. As a policy objective this wins enthusiastic support from the medical profession. But the Government also intends to introduce a new system of cash limits on the expenditure family doctors are allowed to incur on their practice teams. GPs fear this may restrict their ability to put the White Paper's good intentions into effect. Dr Marsh considers the existing allowance of two ancillary staff per doctor hopelessly inadequate for the type of results achieved in his experiment. He thinks three per doctor would need to be the minimum.

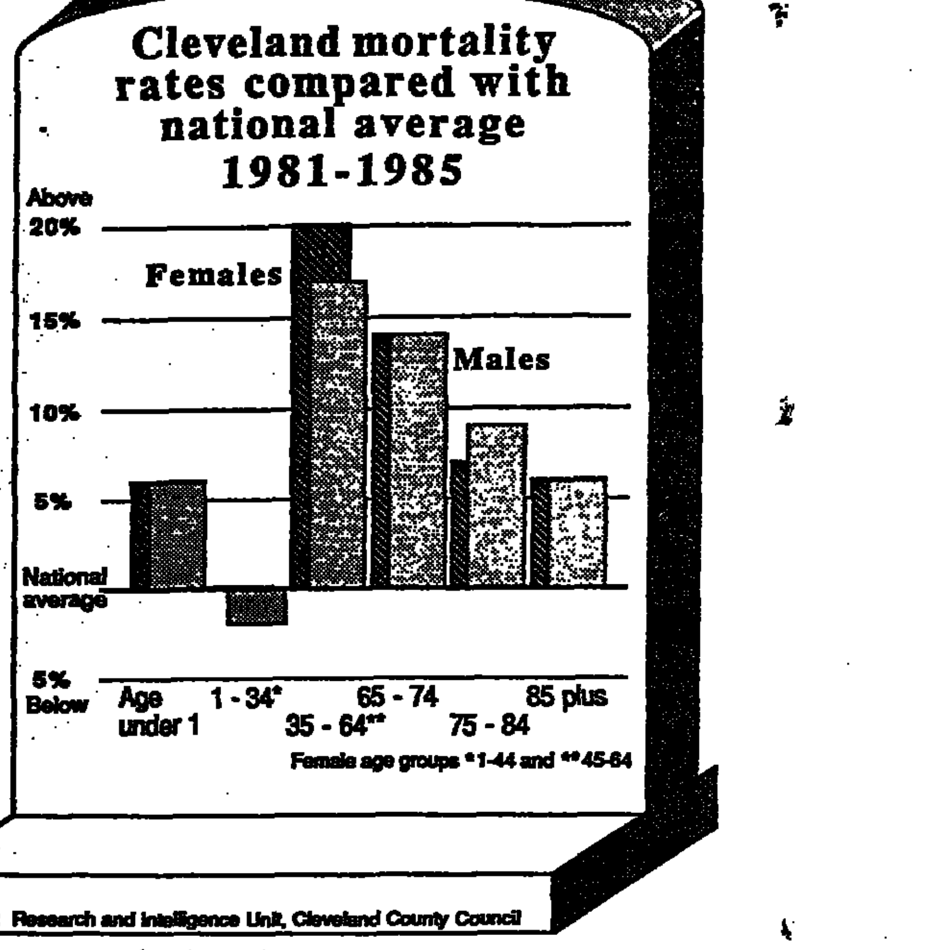
Under the resource allocation policy which has operated since the mid-1970s, areas like Cleveland get a greater share of the NHS's total available resources, which were previously allocated disproportionately to the south. But history suggests that improvements in health come about at least as much through social progress as medical advance.

The study by Sir Douglas Black's team concluded that while there was no single and simple explanation for health inequalities, much of the evidence could be adequately understood in terms of features such as work-accidents, overcrowding and cigarette smoking "which are strongly class-related in Britain."

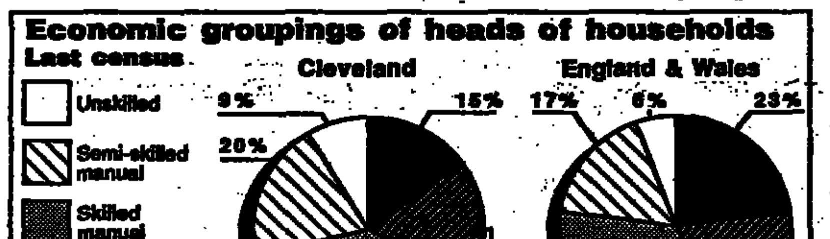
Mr Patrick Jenkin, Social Services Secretary when the report was produced, acknowledged that "over long periods since the inception of the NHS there is generally little sign of health inequalities in Britain actually diminishing and, in some cases, they may be increasing." But the Black Committee's recommendations for greater public expenditure to tackle such inequalities could, he concluded, cost upwards of £2bn a year (in 1980) and were "quite unrealistic in present or any foreseeable economic circumstances."

The Government has none the less continued to stress the personal aspects of health promotion. Mrs Edwina Currie, the junior Health Minister, has not always attracted the most serious reactions when she has urged people to improve their diet, give up smoking, get more exercise and generally take better care of themselves. But her message cannot be faulted.

Expenditure on hospitals reflects, in part, the nation's ability to cure its sick. But the nation also has an ability to prevent sickness; this involves not only the medical services but the home, the school, the workplace, inner city policy and much else. The huge challenge this presents will persist whatever the outcome of the current crisis in the health service.



Source: Research and Intelligence Unit, Cleveland County Council



Source: Research and Intelligence Unit, Cleveland County Council

OBSERVER

Blood in the City

Roman fever was beginning to manifest itself in the City yesterday as small groups gathered to peer through what are becoming the most popular peepholes in London.

Cracks in the screen around the site next to the Guildhall allow a glimpse of the newly discovered Roman amphitheatre, although it is difficult to distinguish anything but a path of crazy paving.

The paving is, in fact, the curved stone and tiled wall of the elliptical amphitheatre, the site of which has been the source of conjecture among archaeologists for 300 years.

"I shall have to be more specific about the line of that wall because it has caused some confusion. Some people have been taking pictures of the foundations of later buildings," said Nick Bateman, supervising the team from the London Museum department of urban archaeology which has been working at the site since July.

Several interesting holes attracting the attention of visiting media had nothing to do with the amphitheatre, said Bateman, 33, a veteran of digs at the forum site two years ago and at the Roman waterfront quays on the Thames in 1981.

The amphitheatre is thought to have been built between 100 and 200 AD and its position just a trident's throw from the garrison fort means that it was almost certainly used for drill in addition to more barbaric pastimes.

Bateman said: "Displays here would not have been anything like as lavish as those in Rome and Provence in southern Gaul, where thousands of people and animals were slain, but there is no reason why there wouldn't have been many bloody scenes on this site."

The Corporation of London is to build a new art gallery, offices and a temporary home for the Lord Mayor on the site, but this week discussions with architects, surveyors and archaeologists will examine whether any of the find can be preserved, perhaps as a modest cellar display.

This was achieved on a grander scale in York when the successful Jorvik Centre was built on top of excavations of Viking buildings. Now some 890,000 visitors a year are taken in "time capsules" round a basement complex, including reconstructed buildings complete with Viking sounds and smells.

Dominic Tweddle, assistant director of York Archaeological Trust which runs the centre pointed out that York archaeologists, unlike their London counterparts, had five years to dig while plans were sorted out.

The London discovery has rekindled Tweddle's thoughts about the Roman sites in York. He said: "I wish we could find the Roman amphitheatre here. It must have had one."

"Now more of our new soap opera about morning tv people – will Tim and Jonathan make it up – will Bruce win his battle – who'll get that 10 per cent of shares. . ."

Henderson's first

Denys Henderson, still in his first year as Chairman of ICI, has become the first Briton to be appointed a member of the listed companies advisory committee of the New York Stock Exchange. He was approached by John Phelan, the head of the NYSE, by letter earlier this year and accepted almost at once.

Henderson is in New York, pushing an ICI roadshow and talking to American investors, this week. He still thinks that his company's profile there is too low, despite the fact that about 10 per cent of ICI's equity is held in the form of American depositary receipts and that ICI has a $3bn American turnover. He points out that, world-wide, ICI is a bigger force than such well-known US names as Boeing, Proctor and Gamble and Dow Chemicals.

The new appointment will involve about three meetings a year. At the same time, he hopes, it will enhance ICI's standing where it matters.

Japanese figures

I have just filled in a long and detailed questionnaire compiled by Gallup on behalf of the Japanese Government. It is about attitudes towards the Japanese people and the role of Japan in world affairs. The results of the study, one is told – perhaps with a pinch of salt, will be used by the Government in Tokyo to help shape its world policy, especially with regard to trade.

Some of the questions are very interesting. For example, one of them asks whether a Japanese decision to buy the European Airbus would be seen as one of the best ways of reducing the country's trade surplus with the Common Market, including Britain.

One question, however, is thoroughly misleading. It is: Do you think that the amount spent on aid for developing countries by Japan, compared with Britain, is more, less or about the same?

The obvious and correct answer is, of course, "more." But that is only part of the story. Japan is a very rich and populous country. As a gross figure, its official development assistance is second only to that of the US.

Yet as a percentage of gross national product, the performance looks very different. In 1986, according to World Bank statistics, it was 0.28 per cent – the same level as the Republic of Ireland. Norway was the runaway leader with 1.20 per cent, and even Britain beat Japan with 0.33 per cent.

Either Gallup or its client, or both, have confused size with proportion. Because the question is wrong, the answers will be wrong. But that will not prevent them being used to perpetuate the idea that Japan is a great donor.

Farewell, Kabul

Mikhail Gorbachev appears to have a taste for anniversaries. The breakthrough on the impasse over the occupation of Afghanistan came when the Soviet leader made a key concession, dropping his demand that an interim government should be formed in Kabul before any Soviet troops left the country they occupied in 1979.

An agreement should be reached in March, he said, by reconvening the proximity peace talks between Afghanistan and Pakistan under UN auspices. Soviet troops could then leave in May. He even named the day: May 15.

March is the anniversary of Gorbachev's succession to the top post in the Soviet Communist Party in 1985. May 15 is the date the Austrian Treaty was signed in Vienna in 1955, marking one of the biggest Soviet foreign policy concessions to the west ever made. The Soviets started leaving Austria the same day. So perhaps the omens for a withdrawal from Afghanistan are good.

Letters to the Editor

'If Mr Lawson gets his way...'

From Mr Alan Reynolds.

Sir, In "Reform is More Than Lower Rates" (February 17) Michael Prowse quotes an Institute for Fiscal Studies assertion that "there is little evidence either to support or refute the view that lowering tax rates would improve economic performance."

The obvious question is, what constitutes evidence, and how much certainty do we need before acting on what is already known? Last year witnessed the publication of an instructive International Monetary Fund volume, Supply-Side Tax Policy: Its Relevance to Developing Countries; and the World Bank's publication, Theory of Taxation for Developing Countries. There was additional criticism of the disincentives of Latin American taxation by Bela Balassa and others for the Institute for International Economics, of African taxation by Jonathon Skinner for the National Bureau of Economic Research, and of the third world tax policy in general by Alvin Rabushka of the Hoover Institute.

This year we have additional evidence, relating tax policy to economic growth, in Markets Or Governments by Charles Wolf of the Rand corporation. A new econometric study of 61 countries by Rienhard Koester and Roger Kormendi of the University of Michigan finds that "a 10 per cent revenue neutral reduction in marginal tax rates would yield a 12.8 per cent increase in per capita income for less developed countries (LDCs) and a 6.1 per cent increase...for non-LDCs."

Countries that have reduced marginal tax rates have certainly experienced improved economic growth, including the UK, US, Turkey, Columbia, Botswana, Singapore and – very recently – Bolivia and Israel. Indeed, the success of marginal tax relief has often been documented in the Financial Times, notably the stories on Ciskei (November 19 1986) and Jamaica (October 28 1987).

Mr Prowse is certainly correct that one has to consider the marginal effect of "national insurance contributions," as well as VAT and local taxes. When that is done, I have estimated that at an annual income equivalent to $28,000 the marginal tax rate is 60 per cent in the UK, 49 per cent in Italy, 45 per cent in France, 32 per cent in Germany, 31 per cent in the US, and 27 per cent in Switzerland. Ireland, Spain, Greece, Belgium and the Netherlands do have higher marginal tax rates than the UK, but also chronic underemployment and large-scale tax evasion.

Since the growth of real tax revenues depends on growth of (reported) real taxable income, lower marginal rates increase government's ability to finance public infrastructure and social services, and do not conflict with "fairness". When the UK last cut higher tax rates, the share of income tax paid by the most affluent 5 per cent of taxpayers increased from 23.4 per cent in 1979-80 to 26.7 per cent in 1985-86.

If Mr Lawson gets his way, cutting the UK maximum tax rate to 40 per cent, the level of per capita real income in the UK would quickly catch up with the lower-taxed economies.

Alan Reynolds,
Polyconomics,
86 Maple Avenue,
Morristown,
New Jersey, USA

From Mr A.W. Purse.

Sir, Despite all the brave forecasts and assurances about tax cuts and changing the system for taxing married individuals, I offer the first ten applicants ten to one in pounds sterling that the 1988 Finance Bill will not propose that the investment income of a married woman should no longer be taxed as that of her husband's, and at his top marginal rate.

The problem is regularly confused by the introduction of questions of rearrangement of personal allowances (which are largely irrelevant). And any Parliamentary Questions about the benefit to the Inland Revenue are answered in such a confusing way that the extra tax extracted by this extraordinary system cannot be easily quantified, although the tax return forms have for years made a clear distinction between the incomes of husband and wife, and the information must be available.

The Inland Revenue has also been able, for the last 50 years, to distinguish capital given to minor children by their parents, and to tax the income thereon as parental income during the children's minority. There is no reason why a change in the system should lead to widespread tax avoidance by the transfer of capital from husband to wife following a change in the law.

The Act under which this degrading system continues to be legal dates back to 1806, when marriage had the effect of transferring ownership of everything a woman possessed to her husband. (Other laws of that period allowed the death penalty or transportation for life for stealing a loaf of bread or a sheep; indefinite imprisonment for debt for defaulting on a repayment; and 10 year old children to work a 12 hour day.) Is it not time that this humiliating and quite unjustified practice, highly profitable though is must be to the Treasury, was discontinued?

A.W. Furse,
Nerquis,
Mold,
Clwyd, Wales

From Mr Peter Coles-Johnson.

Sir, I was interested to note your headline of February 17, that the "Scope for tax cuts in the Budget" is "confirmed by £8.9bn public service borrowing requirement (PSBR) surplus." It is not surprising that corporation tax should be an important component in this equation.

For some time, our 2,000 plus members in the Leeds area have been concerned over the level at which the take from corporation tax has increased in the recent past. Indeed, the impact of a switch from a system of capital allowances and stock relief to a lower general rate of tax is well understood both by the Treasury and the business community at large. It has, of course, meant that corporation tax has emerged as a far more significant element of what companies pay to the Treasury than used to be the case.

As a result, we are concerned with the direction in which the current debate on Budget proposals for this year is developing. Regrettably, it appears to be crystallising around two competing lobbies, both of the "live now pay later" variety. There are those who argue that there should be more spending by Government (through higher real wages in the public sector, among other things), and those who suggest that lower taxation will bring permanent and substantial macro-economic benefit.

What should be realised is that we are mortgaging our long term future in the form of higher corporation tax yields to pay for this. It is the experience of Leeds Chamber members that corporation tax is a tax on capital investment because it does not discriminate how companies use their profits. We confirm recent evidence that retained profits is the primary means of raising cash to invest for the future. Chamber members have supported the Chancellor's contention that there is a need to reduce taxes to provide an incentive to enterprise. It is our view, however, that this argument applies equally well in the corporation tax sector. High levels of corporation tax are a disincentive to investment.

We further note the recent announcement by Lord Young in regard to regional policy. It is our view that a substantial reduction in corporation tax will be a far greater attraction to foreign businesses to set up here "than fiddling at the edges" with selective or automatic grants.

Peter Coles-Johnson,
Leeds Chamber of Commerce and Industry,
Commerce House,
2 St Alban's Place,
Wade Lane,
Leeds, Yorkshire

From Mr F.M.M. Steiner.

Sir, In his article on tax reform, Michael Prowse should not have equated "fully independent" taxation with the international norm (February 17). Taxation of families and of married couples respectively, as units, is the rule in, say, France and Denmark, and to tax families as a unit will become even more necessary in this country, when the welfare and benefits system will also be angled in this direction.

Moreover, economic rationality, for which Mr Prowse pleads, is not the only requirement in this field. Social justice is just as important; and the first step in this direction must be a transfer of tax burdens from single income to double-earner couples.

If the pain can be eased for the latter by tax cuts, so much the better, but the introduction of fully transferable allowances between spouses is essential, even without subsidy from the Chancellor. And before anyone protests that this would "discriminate" against wives going out to work (which it would not – it would merely remove the extra distortion of the wife's earned income relief), they should remember that the system applies in Denmark with its unusually high proportion of gainfully employed wives.

I write, I may add, as a beneficiary of the inequitable present tax system; but I still hope Mr Lawson will stick to the original proposals of the 1986 Green Paper.

F.M.M. Steiner,
Reform Club,
Pall Mall,
London, SW1

Lord Cockfield's EC tax proposals

From Mrs Sheila Faith MEP.

Sir, Last year the Commission set up a committee of senior economists to formulate a "strategy for the evolution of the economic system of the European Community" under the chairmanship of Mr T. Padoa-Shioppa and I quote from that report: "it may be noted that the US has opened state frontiers despite wide differences in some excise duties such as tobacco – the Community's approach to what constitutes the abolition of fiscal frontiers should similarly be reasonably pragmatic".

The Commission is asking too much in wishing to approximate VAT and because this tax is levied on excise duties asking for harmonisation of those duties despite the fact that in the US excise duties vary considerably between states (for example from eight cents on a pack of 20 cigarettes in Wyoming to 26 cents in Maine) yet the US is constantly cited as being a single economic area.

I hope the Commission will not jeopardise the prospects for the internal market by continuing to promote a situation where national governments would have to go cap in hand to the Commission for derogations whenever they needed to make changes in excise duties, particularly those on cigarettes, alcohol and petrol which are politically sensitive and socially important.

I admire and respect the dedication of Lord Cockfield and applaud his objective in endeavouring to achieve the internal market by 1992 but I am concerned that under the Commission's proposals we might have even less control over important matters than individual states have in the US, and I do not wish to see the UK lose more of its sovereignty than is absolutely necessary.

Sheila Faith,
Office No 1,
The Square,
Milnthorpe, Cumbria

Cross-border shopping will occur

From Mr Stewart Vaughan.

Sir, The Institute for Fiscal Studies (IFS) is quite right to say that there need be no change in VAT rates for completion of a free internal EC market (FT, February 17). Even the most superficial study of price differences between member states will show that they are not a function of VAT rate differences.

Because there are significant differences in retail prices, cross-border shopping by individuals will occur. Nevertheless, visions of the Gallic garment industry being brought to its knees by French mums nipping through the Channel Tunnel with boot-loads of zero-rated children's clothing seem far fetched, even though Cassandras on both sides of the Channel persist in dreaming up ever more disastrous possibilities.

There is, however, one worrying argument quoted from the IFS. "It is possible to operate a system to handle differences in tax rates at frontier checks..." For an article that begins: "Completion of a free internal market...", this seems rather a contradiction.

Stewart Vaughan,
95 Avenue de la Republique,
75011 Paris,
France

Reluctance to self-regulate

From Sir Alex Fletcher.

Reports of a whispering campaign against Sir Kenneth Berrill prompt me to record that when the Department of Trade and Industry and the Bank of England were searching for a chairman to establish the Securities and Investments Board, none of the City's leading proponents of self-regulation was willing to take on the job. Perhaps that is why Sir Kenneth's critics whisper.

Alex Fletcher,
4a William Street,
Knightsbridge, SW1

Charities' tax reliefs could be replaced

From Mr Hubert Scholes.

Sir, I hope the Government will quickly implement the Public Accounts Committee's recommendations on charities.

There is, however, a case for going still further. Many charities perform a valuable public service, but most do not really merit any support from public funds. Yet they receive substantial help through tax concessions, which cost the Exchequer about £2.5bn in aggregate and represent concealed subsidies, given automatically without any scrutiny or accountability and irrespective of any benefits they may bring to the wider community.

Has not the time now come to withdraw all special tax reliefs for charities and replace them by a system of discretionary grants from funds voted by Parliament? The Arts Council offers a possible model.

Hubert Scholes,
5a Lancaster Avenue,
Farnham, Surrey

Discrimination is hard to unravel

From Mr David Lindsay.

Sir, Abolishing the upper earnings limit for contributions would go a long way towards funding a state pension at basic rate for all on actual retirement between 60 and 70 (subject to adequate national insurance contribution – NIC – record).

I hope the Chancellor will not overlook the fact that such abolition would exacerbate the present NIC differential between men and women in the 60-65 age range, unless, at the same time, women in that range with earnings were also to become liable for NICs (or men in the range exempted from them).

David Lindsay,
Campaign for Equal State Pension Ages,
36 Orchard Coombe,
Reading, Berkshire

There is potential for competition from smaller power stations

From Mr J.A. Macadam.

Sir, The Government's White Paper on privatising electricity sets the framework for introducing competition into generation by large power stations, connected to the 400KV and 275KV "super grid". This is to pass from the ownership of the Central Electricity Generating Board (CEGB) to a grid company, owned by the privatised area electricity boards.

There is, however, also a substantial potential for competition from smaller power stations, connected at lower voltages – 132KV, 66KV or 33KV. The Rogerstone power station in South Wales, for example, which is the subject of a much publicised CEGB sale to a private generator, is connected at 66KV. And Sir Frank Layfield, in his report on the Sizewell B public enquiry, estimated that half the potential for private generation is in smaller power stations. Under the Government's present proposals, such generators would sell power to, or through, local privatised area boards rather than to the grid company.

This gives rise to three potential conflicts of interest:

An area board/distribution company with its own power station(s) may be unwilling to purchase from an alternative producer – although it may be economic to do so – if by so doing it limits the operation of its own plant which then performs poorly in the company accounts.

A distribution company may be unwilling to purchase from a customer, such as an industrial site, who wishes to construct his own power plant and sell to the company, rather than vice versa.

A distribution company may be unwilling to co-operate with a private generator wishing to rent the company's distribution system to send power to one of the company's own customers.

The Government at least recognised this last potential problem. The White Paper undertakes "to review carefully the provisions....covering common carriage on both the transmission and distribution systems," and promises that "the terms for common carriage of this kind between private generators and large customers will be closely regulated."

There is a simple and effective way of organising regulation – which the Government rightly considers so important in this area. That is to treat all connections, whatever their size and ownership, as if they were part of the grid company – that is, as if that company were not restricted to the 400KV/275KV "super grid".

This need not be a purely theoretical construct – there would presumably be nothing to stop the distribution companies from transferring the ownership of connections at 132KV, 66KV and 33KV to the grid company, which they will, after all, own. This would give the added advantage of bringing all generators within the despatching control of the grid company.

This provides the opportunity for future distribution companies, the area boards, to demonstrate their commitment to competition by now announcing their intention to proceed accordingly.

J.A. Macadam,
40 Stratford Way,
Watford, Hertfordshire

FOREIGN AFFAIRS

Why all is not rosy in the Nato garden

The need for unity should not obscure the need for a policy overhaul, says Robert Mauthner

WESTERN leaders could hope for no better platform on which to exercise their international vision than this week's Nato summit in Brussels. They will be given the almost unique opportunity to examine the whole gamut of east-west political and defence problems – facing them as the result of the new look given to Soviet policies by Mr Mikhail Gorbachev.

Mr Gorbachev's public relations successes and the deftness of his arms control approach have not, so far, been matched by a sufficiently coherent and imaginative response by the Atlantic allies, who have too often allowed themselves to be cast in a purely reactive role. Unfortunately, it has already begun to look as if the old obsessions will stifle any latent desire to give freer rein to new ideas.

Like an ageing beauty queen, Nato believes it cannot afford to allow the blemishes in its make-up to be publicly revealed. The fear that any cracks in its perfect facade will be exploited by Moscow is, once again, likely to be the dominating consideration at the Brussels meeting.

Mrs Thatcher, for one, will try to make sure that no self-doubts or questioning of received ideas are allowed to water down the firm signals to be sent to potential wedge-drivers in the East and waverers, in danger of being seduced by Mr Gorbachev's blandishments, in the West. They will be told in a communique, drafted in advance of the meeting, that the unity of the Alliance in the face of the military threat posed by the Warsaw Pact, remains unimpaired; that the US political and military commitment to the defence of Europe is as strong as ever and that the conclusion of the INF treaty abolishing medium-range missiles is a testament to the effectiveness of Nato's strategy of negotiation from strength.

So far so good. It is, no doubt, necessary and desirable for Nato leaders to adopt a virile public stance *pour encourager les autres*, not to say themselves, provided that this is not all they do. For the intended recipients of the message – Mr Gorbachev and western public opinion – will have learnt from other less official sources, like newspapers, that all is not rosy in the Nato garden.

In the first place, the political analysis which must underlie all military strategy is lacking in clarity, to put it no stronger. What is Mr Gorbachev to make of a US President who, not so long ago described the Soviet Union as "an evil empire", then signed an unprecedented nuclear disarmament treaty with him as a prelude to even more significant cuts in strategic weapons and, only a few days ago, proclaimed that "we cannot mortgage our security to the assessed motives of particular individuals."

The British Prime Minister appears to have similar difficulty in deciding whether Mr Gorbachev is the best thing to have happened since sliced *blinis* and is someone she can "do business with", or whether he is no more than a traditional Russian bear in sheep's clothing, presenting Nato with the trickiest problem it has ever faced.

Gorby-schizophrenia is as understandable as Gorby-mania. One is, after all, dealing with a new phenomenon in Soviet history. But schizophrenia is not a suitable basis on which the policy of the whole western alliance can be built.

The Nato watchword, so far, has been "caution". Its attitude can be summed up as: "We like what Mr Gorbachev says about reforming Soviet society, we welcome the signs of a more flexible foreign policy, but we will keep up our guard and continue to pummel his most vulnerable spots, such as human rights." Most sovietologists believed this to be the right initial strategy. Mr Gorbachev, after all, has only been Secretary-General of the Soviet Communist Party since 1985 and faces strong opposition to his reform programme from within the Party. His position, therefore, is still considered to be somewhat precarious.

Yet western governments cannot, indefinitely, continue to say to themselves: "Let's wait to see if he is still there after the next Party plenum." The time is rapidly approaching when they will have to take a more permanent view of Mr Gorbachev and abandon the *ad hoc* approach which has characterised their dealings with him since his election three years ago.

The stridency of some of Mrs Thatcher's recent pronouncements on the subject probably owes more to her view of the inherent unchangeability of communist systems than to an assessment of Mr Gorbachev's personal ideas and motives. Her warnings against the continued threat of Soviet military domination, issued during her recent visit to Nato headquarters, were clearly intended to put more steel into her partners' policies. But her statements appear to be curiously unrelated to a number of major international developments which throw a somewhat different light on Soviet policy.

Was it really a good idea to start lambasting Soviet policy just after Mr Gorbachev had agreed to meet long-standing western demands to set an early date for the withdrawal of Soviet troops from Afghanistan and had begun to show a much more co-operative attitude in the United Nations towards finding a solution to the Iran-Iraq conflict?

People in general may have short memories, but they can hardly avoid feeling confused by the constant contradictions of western leaders who, manifestly, have not made up their minds whether to treat Mr Gorbachev as an adversary or as a reasonable partner for settling the world's problems.

Confusion about the political stance of the Alliance is compounded by the disarray that has been caused by the conclusion of the Intermediate Nuclear Forces (INF) treaty. Here again, official assertions that the treaty marks the most important breakthrough in the history of disarmament are at odds with widespread expressions of concern about the gaps it has left in the West's defences.

West German feelings of vulnerability to the remaining short-range battlefield nuclear weapons in Europe have contributed to arms control priorities in Bonn which are different to those of some of its main Nato partners, such as Britain and the US.

Though the Bonn government has now come round to the view that an early abolition of short-range nuclear weapons in Europe would be undesirable, their elimination still appears to be its longer-term objective.

On the other hand, the main concern of Britain and the US is to prevent the denuclearisation of Europe, which would merely enhance the Warsaw Pact's military superiority based on the greater size and strength of its conventional forces. With this in mind, Britain and the US want to see the remaining short-range nuclear weapons not only retained, but modernised, while filling the perceived gap in medium-range weapons with new air-launched and sea-launched cruise missiles.

The danger is that the over-riding objective of burnishing the Alliance's image of unity will once again lead to a fudging of these fundamental issues by leaving unclear how, and at what stage, battlefield nuclear weapons are to be fitted into the arms control process. Yet the differences that have arisen between West Germany and its partners go to the very heart of the Nato strategy of flexible response and require an urgent solution.

That strategy, originally proposed in 1962 by Mr Robert McNamara, the former US Defence Secretary, aimed to provide Nato with the capacity to reply to any aggression with equivalent forces to those of the attacker. The threat of escalation to nuclear weapons was intended to provide an ultimate deterrent. However, the failure of the Alliance to build up its conventional forces and its heavy reliance from the very start on nuclear arms to offset its inferiority in the conventional field, has deprived the strategy of much of the flexibility desired by its author. If nuclear weapons, too, continue to be reduced, the strategy can hardly survive.

That is the dilemma facing the alliance. To continue to behave, in the words of a White House official, according to the old American adage that "if it ain't broke, don't fix it," would be taking a dangerously blinkered view of Nato's serious problems. It is not enough for the 40-year-old vehicle to be given a fresh coat of paint in Brussels this week. Adaptation to the new Gorbachev era and the post-INF arms control situation requires a much more thorough overhaul of its spluttering engine.

FINANCIAL TIMES

Tuesday March 1 1988

Citroën's closure of its oldest factory bears testimony to change in the industrial climate writes **Paul Betts in Paris**

Final road for the French ugly duckling

VERY QUIETLY, a page in the history of the French automobile industry was turned last weekend. Citroën, the private car company which is now part of the Peugeot group, shut its oldest factory and stopped assembling the "deux chevaux" in France.

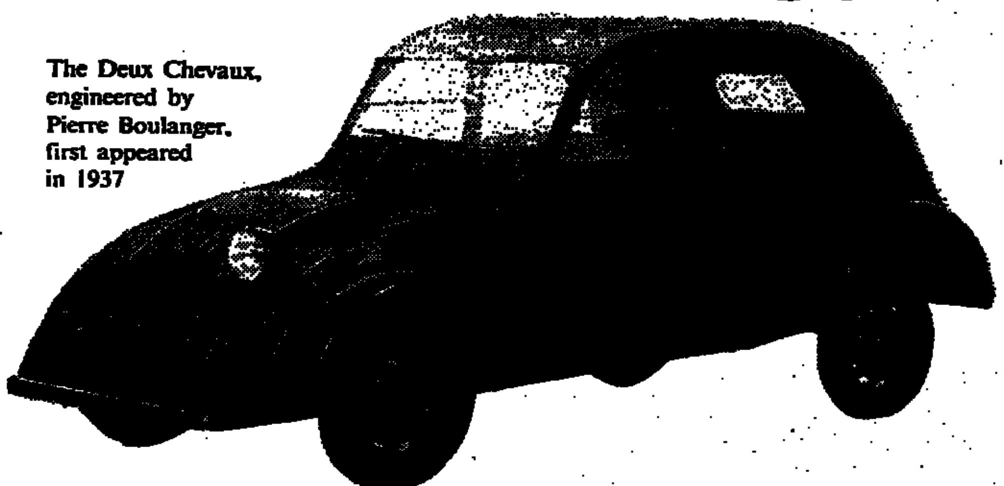
Described by its designers as "four wheels under an umbrella," and also nicknamed "the ugly duckling," the 2CV has, in 40 years of existence, come to rank with the baguette, the *beret basque* and the Gauloise cigarette as a symbol of France.

However, in recent years, the dark industrial block overlooking the Seine where the last 2CVs in France were made (a few will still be assembled in Portugal) has looked more and more like an anachronism.

The surrounding Paris district of Levallois has been transformed from a working-class stronghold into a residential and white-collar office centre, close to the modern business district of La Defence. Once part of the "red belt" of Communist bastions that ringed the capital, the area now has a Gaullist mayor.

The plant, dating back to 1893, has already been sold to the Bouygues construction group which intends to convert it into new offices and flats. "You can't help feeling sentimental about Levallois," remarked Mr Raymond Ravenel, Citroën's managing director who began his career 40 years ago in the plant's paint shop.

"But you can no longer produce cars in an urban environment where supplies have to be brought through the narrow streets by lorries."



The Deux Chevaux, engineered by Pierre Boulanger, first appeared in 1937

Mr Ravenel, who is also president of the French car manufacturers' association, acknowledges that the closure is the end of an era. It marks the shift of car production away from Paris and its immediate suburbs to large integrated assembly centres in the French provinces.

That trend is in turn part of a major modernisation effort by the French car industry which, after five years of heavy losses, has now returned to profit. It is an effort that initially prompted serious labour unrest, but has benefited in recent years from a more docile labour climate.

The Peugeot group expects to report profits of between FFr5bn ($875m) and FFr6bn for 1987 while Renault, after losing FFr27bn during the past three years, is also expected to be back in the black in 1987 with profits of about FFr3bn.

For Citroën, the closure of Levallois will complete a restructuring cycle which began in 1983 when it was on the brink of bankruptcy.

Job losses are continuing. Automobiles Peugeot, Citroën's sister company in the Peugeot group, said last week it wanted to reduce the company's workforce by a further 5 per cent or 3,112 people by mid-1989. Renault has also announced plans to reduce its workforce by about 5 per cent this year, involving the loss of 3,835 jobs. At Levallois, about 550 jobs are at stake, although the old Citroën plant at its peak employed 4,000 people.

In the early 1980s, when a left-wing government was in power and the unions, particularly the pro-Communist CGT, were agitating for Peugeot-Citroën to be nationalised, such job losses could have touched off a wave of violence and strikes.

However, in the face of the subsequent recession, and an increasingly defensive and demoralised rank-and-file, the power of the unions has waned.

On the other hand, restructuring in the Paris-based car industry is still complicated by the high proportion of immigrants, largely North Africans, in the workforce.

At one stage, immigrants accounted for as much as 75 per cent of the assembly workers in the Paris region car plants. The proportion has since fallen, but it remains high. At Citroën's large Aulnay plant outside Paris, near the Charles de Gaulle airport, it has fallen from 72 per cent to about 50 per cent during the past five years.

"At one stage Citroën employed a total of 65,000 blue-collar workers including 13,000 immigrants in all its plants. But of these immigrants, about 11,000 were employed in the Paris area, while at our big plant at Rennes in Brittany there is virtually no foreign labour," said Mr Ravenel. "Today, the figure has dropped to about 40,000, including 5,500 immigrants."

After heavy recruitment of immigrant workers in North Africa in the early 1970s, the French car groups faced the delicate task of trying either to retrain them or to induce them to return to their native countries.

At first, many North African car workers were tempted by repatriation grants. However, these incentives have begun to lose their appeal, making the latest round of restructuring at the Paris car plants more difficult.

Many immigrants who have settled in France with their families are increasingly reluctant to return home. The older generation have found retraining difficult because of language problems, and they are reluctant to leave the Paris area for work elsewhere in the country.

If the closure of Citroën's Levallois plant ends a chapter in the history of the French car industry, the end of 2CV production in France is also a milestone for the automobile industry.

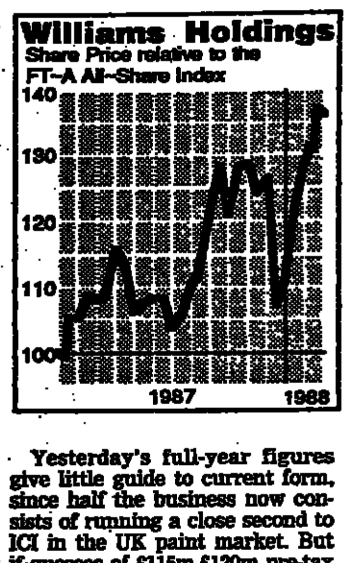
THE LEX COLUMN

Next time get it in writing

The failure of Quadrex to complete its deal with B&C adds a twist to that upstart company's endless complaints about the clubbishness of the City. By not producing the money in time to buy the two money broking operations of Mercantile House, Quadrex has not just spoilt its chances of being accepted in the City, it has done heavy damage to the reputation of Samuel Montagu, its advisor and one of its only blue-blooded friends. The next time an agressive newcomer comes along wanting backing for a leveraged deal, City support may be even less forthcoming.

While B&C is so far suing only Quadrex, it is clearly smarting at having been assured by Samuel Montagu of its client's ability to pay. Although there may turn out to be good reasons for Quadrex's failure to find the funds, the deal appears to call into doubt the value of a system in which so much is based upon the word of the merchant bank. Although the Takeover Code places responsibility with the merchant bank, in practice this amounts to little more than a duty to do decent homework; and in any case because this deal is private, such rules do not apply.

Meanwhile, B&C seems to have lost less from the unhappy escapade than the other parties. Although the £280m purchase price was agreed in August, it may be possible to find a new buyer to match it. With money broking one of the few parts of the financial industry unaffected by the crash, such defensive merits may seem worth paying for. Moreover, now that B&C has sold Alexanders, Laing and Cruickshank it is in no particular hurry for the money; its most important loss is in management time. The employees of the two money brokers, on the other hand, may actually come out ahead, if they end up with a more sympathetic new owner and a stake in the action themselves.



Williams Holdings

The behaviour of the Williams share price in recent months confirms it as one of the most intriguing companies on the London market. As an aspiring conglomerate, it naturally took a caning in the October crash; but within six weeks it was offering £100m of its paper for a major acquisition, and since then has outperformed the market by a third, pushing its capitalisation back over £800m and queuing to join the FT-SE100 index.

Yesterday's full-year figures give little guide to current form, since half the business now consists of running a close second to ICI in the UK paint market. But if guesses of £115m-£120m pre-tax this year are right, the shares are on a market multiple of 10½, a couple of points higher than Hanson. The force of the comparison lies in the scale. Williams has emerged once and for all from the ranks of the mini-conglomerates – the vast majority of whom are doomed to stay that way – but does not yet suffer from the gigantism which the market sees as afflicting Hanson or BTR.

Of the two, Williams has been seen as more closely resembling BTR in its philosophy, but that may change. The immediate task is to get costs out of the paint business, then run it for margins in a mature market, in the Hanson manner. More Hanson-like again is the notion of making cash purchases of clapped-out conglomerates in the US – smaller than Kidde or SCM, but identical in principle – then holding on to selected brands and selling the rest. The central question is whether playing that kind of asset broker/manager is still feasible in a bear market; but with its gearing at only 15 per cent, Williams can presumably afford to take its time about that.

Broking regulation

One of the big unanswered questions about last October's stock market crash is what would have happened if a major investment bank in one of the world's leading financial centres had run into serious financial trouble. During the banking problems of the mid-1970s leading central banks hammered out the so-called Basle concordat – a central feature of which was the principle that ultimately the supervisory responsibility for international banks rested with the supervisor of a bank's parent. However, there is no similar agreement about who is responsible for the overseas branches of international investment banks, and this is a major oversight.

Whereas the regulators of US commercial banks make it their business to find out what is happening in the overseas operations of US commercial banks, the remit of the US investment bank regulators stops at the Atlantic sea-board. In addition, the world's central banks have made it very clear that whereas they would be prepared to step in and support one of their leading commercial banks, this largesse does not extend to their investment banks – a point made forcibly by the Governor of the Bank of England yesterday. Unlike banking regulators, who can discuss their problems at the regular monthly meetings in Basle, the supervisors of brokerage houses have no such international forum; perhaps they could do with one.

UK current account

It is a measure of the current mood of the UK financial markets that the disclosure of the worst balance of payments figures in the country's history caused no more than a temporary blip on dealers' screens. Six months ago, similar data might have precipitated a 40 point drop in the FTSE-100. But in the run-up to the Budget, the equity market has become transfixed with the view that the current Chancellor of the Exchequer will do whatever is necessary to prevent overheating, even if this means erring on the cautious side on March 15th.

Admittedly, the latest figures were distorted by special factors, such as the EC's new trade documentation, and this could partly explain the collapse in UK exports to the Continent. But while the latest figures might be erratic, it is virtually impossible to escape the conclusion that the underlying position is continuing to deteriorate and that the 1988 current account deficit is set to double to around the £5bn mark. Any sign of serious weakness on sterling's part is likely to precipitate a return to double digit base rates, but in its current bullish mood the gilt-edged market seems prepared to forgive this as a necessary price to pay for an inflation-fighting Chancellor.

Apple may invest in joint chip ventures

By Louise Kehoe in San Francisco

APPLE Computer is considering investing in joint ventures with semiconductor manufacturers to build chip production lines closer to its own production plants. It is also attempting to reduce its dependence on Japanese semiconductor suppliers.

The personal computer manufacturer's moves reflect growing concern throughout the US computer industry about a serious shortage of vital memory chips, most of which are produced in Japan.

Apple's dilemma is common throughout the US and European computer industries. Demand for critical DRAM (Dynamic Random Access Memory) chips, used as data storage devices in all types of computers, is outstripping supply.

Prices have risen dramatically and, in some cases, computer makers have been unable to obtain DRAMs at any price. Although Apple says it has not been significantly hit by the chip shortage, the company is taking the situation seriously.

The personal computer maker's strategy for dealing with the supply crisis mirrors a growing consensus in the US that chip makers and their customers must work together to solve the problem.

Mr Jimmy Bilodeau, Apple director of worldwide materials, said: "We have become really interested in joint ventures in which we would share the investment costs to bring up new (semiconductor production) capacity within our suppliers' facilities."

Semiconductor industry executives agree that the risks are high. It costs about $250m to equip a new semiconductor production line capable of producing DRAMs in high volume. By the time any such plant reaches full-scale production, in about 18 months to two years, US chip makers fear another avalanche of Japanese exports.

Mr Bilodeau said that computer manufacturers would need to forge closer links with their chip suppliers.

Apple obtains an estimated 60 per cent of its semiconductors from Pacific Rim suppliers, but Mr Bilodeau said that the company aimed to reduce that proportion to about 40 per cent this year and even less in 1989.

Mystery offer emerges to counter bid for Federated

BY JAMES BUCHAN IN NEW YORK AND MAGGIE URRY IN LONDON

THE FUTURE of Federated Department Stores was thrown into uncertainty yesterday with the announcement that the big US store group was studying a new offer alongside the $6.02bn bid from Campeau of Canada.

The mystery proposal, which Federated's board was studying at a meeting yesterday, also raises doubts about Marks and Spencer's $770m purchase of Brooks Brothers, which is contingent on success for Campeau.

Federated, which is the largest US department store chain, stunned Wall Street yesterday morning when it announced that its board was considering a new proposal that "appears competitive" with Campeau's $68-a-share offer, which seemed sure of success last week.

Campeau, the large Toronto-based real estate and retailing group, spent the weekend in gritty negotiations with Federated over details of its offer and said yesterday it was surprised by the announcement. "We are still confident we can effect our transaction," the company said.

The last-minute twist in the battle for Federated is an embarrassment for M and S, which has staked its future in the US on acquiring Brooks Brothers in a Campeau victory. The Canadian group, which has owned Brooks Brothers for just over a year, reluctantly offered the famous 47-store chain to M and S last week in order to help finance its bid for Federated.

Stock in Federated rose $1⅞ to $66⅞ in early trading yesterday in response to the outbreak of a struggle for the board's approval. Analysts and professional speculators say the key questions are whether the new offer is in cash or securities and whether Mr Robert Campeau, the Campeau chairman who has raised his bid nearly $2bn in the past month, will pay more to own the Cincinnati group, which includes such well-known store chains as Bloomingdale's.

"He hasn't come this far, from $47 to $68, not to pay $69 or even $70. But every dollar is costing him $90m," said one arbitrageur.

The appearance of a rival bidder for Federated Department Stores revived doubts that M and S conditional offer to buy Brooks Brothers from Campeau would go ahead. In a rare comment yesterday M and S said, "we have just heard the news. We still hope that Campeau's bid will be accepted by the board of Federated Department Stores."

M and S shares gained 3p to 179p on the news, reversing part of the 9p fall on Thursday and Friday last week. The City of London had reacted badly to the offer for Brooks Brothers as analysts estimated that the interest cost on the $770m purchase price would not be covered by Brooks Brothers' profits in the short term.

UK trade position deteriorates

Continued from Page 1

rise in interest rates is sterling's strength against the D-Mark. The pound is at present hovering just below the DM3.00 ceiling set by Mr Lawson.

Yesterday's figures show a £1.5bn deficit on Britain's visible trade in January, only party offset by an estimated surplus of £600m on earnings from invisible transactions such as tourism and receipt from overseas assets. That compares with a current account deficit for the whole of 1987 estimated at £2.5bn, with virtually all of that shortfall concentrated in the second half of the year.

CURRENT ACCOUNT (£bn)

	Current balance	Visible trade Exports	Visible trade Imports	Invisibles balance
1986	-0.9	72.7	81.1	+7.5
1987	-2.5	79.6	89.2	+7.1
Qtr 1	+0.5	19.5	20.7	+1.7
Qtr 2	-0.6	19.4	21.7	+1.7
Qtr 3	-1.2	20.2	23.3	+1.9
Qtr 4	-1.2	20.5	23.5	+1.8
1988 Jan	-0.9	6.2	7.7	+0.6

Figures for invisibles since October 1987 are first estimates

The Treasury had hoped for some improvement in the first months of 1988. Its economists believe that the seasonal adjustment of the official figures does not adequately take into account a traditional surge in imports in the latter months of each year.

But while imports did fall back last month, they remained close to the high levels seen in the last quarter of 1987, and exports fell sharply.

At the start of 1988, Britain and its European Community partners introduced a new standardised system for recording imports and exports, known as the Single Administrative Document.

DTI officials said they could not identify any specific distortions arising from exporters' unfamiliarity with the new system, but the Treasury said it might have been responsible for an apparent slide in exports to the European Community.

Exports to the EC were almost 18 per cent lower in January than in December, while exports to other regions showed little or no change. That poor performance conflicted with evidence from Confederation of British Industry surveys which pointed to further strong growth in overseas sales.

The new documentation, however, was also introduced for exports outside the Community, and DTI officials said that a close analysis of trade flows had turned up nothing unusual to explain the slump in sales to Europe.

During the three months to the end of January there was a trade deficit of £3.6bn - 14 per cent higher than in the preceding three months to the end of October.

In the latest three months the cumulative current account deficit amounted to £1.8bn. If that rate were to be maintained for a full year then the deficit would be more than £7bn – twice the Treasury's latest forecast for 1988.

Japanese typewriter makers may be fined

By William Dawkins in Brussels

EUROPEAN Commission trade investigators have recommended penal levies for five out of six leading Japanese electronic typewriter makers being investigated for allegedly trying to circumvent EC anti-dumping laws.

The new EC rules aim to stop foreign companies from avoiding anti-dumping levies on imports of assembled goods by opening basic assembly – or "screwdriver" – plants fed with a high proportion of unfairly low-priced components.

All the companies involved are already paying anti-dumping levies on assembled imports.

The typewriter makers are Brother, based in Wrexham, UK – which the investigators' report says does not contravene the components regulation – Sharp, in the same town, Matsushita in Newport, South Wales, Silver Reed in Birmingham, UK, Canon in Brittany, France and TEC Tokyo Electric in Brunswick, West Germany.

TEC Tokyo Electric's weighing scales factory in Preston, Lancashire, the subject of a linked investigation, is also being recommended for dumping penalties.

A separate inquiry into the European activitites of Komatsu, the Japanese construction group, has concluded that its plant at Birtley in the UK did not break Community rules on local content.

The recommendations, by the Commission's services (civil service), form the basis for the final conclusions of the first cases launched by the EC under controversial new trade laws which extend anti-dumping duties from fully-assembled products to components imported for assembly in the Community.

The proposals are expected to be adopted formally by the Commission later this week, before going to the Council of Ministers, the member states' decision-making body, for a final ruling.

Japanese lawyers said the recommendations, while an obvious blow, showed a surprisingly liberal interpretation of what had at first seemed one of the toughest anti-dumping laws in the world.

The outcome will be of crucial interest to the increasing number of Japanese companies setting up overseas plants to avoid being disadvantaged by the high value of the yen.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	11	52	Dubrovnik	C	8	46	Malta	F	14	57	Rhodes	F	15	59
Algiers	S	16	61	Edinburgh	F	4	39	Manchester	C	3	37	Rio de J'o	S	36	96
Amsterdam	R	4	39	Faro	S	13	55	Manila	S	34	93	Rome	C	11	52
Athens	S	14	57	Florence	C	8	46	Melbourne	S	21	70	Salzburg	Sn	1	34
Bahrain	S	23	73	Frankfurt	Sn	2	36	Mexico City	S	26	77	San Francisco	C	13	55
Bangkok	S	33	91	Funchal	F	14	57	Miami	S	14	57	Seoul	C	5	41
Barcelona	S	18	64	Geneva	C	2	36	Milan	F	11	52	Singapore	F	33	91
Beirut	R	17	63	Gibraltar	C	12	54	Montreal	C	-4	25	Stockholm	Sn	-4	25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4	39	Moscow	Sn	-9	16	Strasbourg	F	5	41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4	39	Munich	Sn	-1	30	Sydney	F	25	77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-7	19	Nairobi	F	27	81	Taipei	C	25	77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16	61	Naples	C	11	52	Tangier	F	14	57

Soviet tension mounts

Continued from Page 1

Armenian delegation which met Mr Gorbachev took heart from a promise he made to deal with the problem in the light of "historical tradition," an apparent hint he would consider boundary revisions.

The same activists said that late last week, thousands of ethnic Armenians from villages near the border had fled to Stepanakert, the capital of the disputed Nagorno-Karabakh region, following alleged violence by Azerbaijanis.

The fact that Tass has carried the report may indicate that the fighting in Sumgait, which is only 25 kilometres north of Baku, the capital of the oil-rich region, was more serious than the hooligan scuffles that the newsagency is suggesting.

There is a large Armenian community in Baku, which has long been one of the most multi-national cities in the Soviet Union.

Mr Kyamran Bagirov, the Azerbaijan Communist Party First Secretary, appealed yesterday to the dwindling number of demonstrators in Stepanakert, to return to their homes and jobs.

A spokeswoman for Baku television said yesterday that the region was quieter.

Church leaders' S Africa pledge

Continued from Page 1

Mrs Helen Suzman, the veteran civil rights campaigner of the liberal white opposition Progressive Federal Party (PFP) contrasted the tough police action against the religious leaders of an estimated 12m South Africans with the tolerance shown by police to the white racist Afrikaaner resistance movement (AWB).

Thousands of armed and uniformed AWB storm troopers were allowed to march on the Union Building in Pretoria on Saturday

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday March 1 1988

Sugarman makes $1.75bn offer for Media General

BY RODERICK ORAM IN NEW YORK

MR BURT SUGARMAN, a Hollywood film producer and industrialist, has launched his long-awaited takeover offer for Media General with a $61½-a-share bid valuing the Virginia-based newspaper and broadcasting group at about $1.75bn.

His chances of success seem slim, however, because the Bryan family, founder of Media General, owns more than 70 per cent of the company's class B stock which elects a majority of the directors. The family also owns about 10 per cent of the class A shares.

The Bryans declared yesterday their intention of keeping Media General in the family and to retain the ownership structure. Even if Mr Sugarman's offer, which applies to both classes, were accepted by a majority of A shareholders and a minority of B shareholders, he could not, it seems, gain control of the board and thus determine the future of the company.

In a letter to the Bryans yesterday he emphasised that it would be "unreasonable" from a fiduciary point of view for the family to use their 2 per cent holding of Media General's equity "to deny other shareholders the unlocking of hundreds of millions of dollars of investment value that rightfully belongs to them."

Wall Street values Media General's assets at between $55 and $60 a share. The stock, which closed on Friday at $43⅞, did not trade yesterday morning on the American Stock Exchange pending dissemination of the offer news.

Mr Sugarman built up his 9.8 per cent stake in Media General A shares over the past eight months at an average price of $39. On Black Monday he announced his holding and interest in pursuing a takeover as the price collapsed to $85⅜.

He built up his holding through Giant Group, a cement company, and Barris, a producer of popular television programmes such as the Gong Show and the Dating Game.

Media General has grown out of the Richond Times newspaper in Virginia which the Bryans have owned since 1871. The family's shares are held directly or in trust by Mr D. Tennant Bryan, chairman, and Mr J. Stewart Bryan, his son. They are the third and fourth generations of the family in the business.

In the year ended last December Media General reported net profits of $42.9m, or $1.50 a share, on sales of $715.3m, against $17.1m, or 60 cents, on $634.6m of sales a year earlier.

B&C sues Quadrex for 'breach' of £280m acquisition agreement

BY CLAY HARRIS IN LONDON

BRITISH & COMMONWEALTH Holdings, the UK financial services group, yesterday sued Quadrex Holdings for damages after the securities firm failed to complete its £280m ($387.6m) acquisition of the wholesale broking division of Mercantile House Holdings, the financial company which B&C bought last year for £545m.

B&C said it would invite bids for the two businesses involved, M.W. Marshall, the world's second largest money broker, and William Street Holdings, a US government securities broker.

The writ, claiming "unlawful repudiation" of the sale agreement, was issued in the High Court after Quadrex missed its final deadline on Sunday night to agree a firm date for payment. The deadline had already been delayed several times.

Quadrex last night denied it was in breach of the agreement and said it would fight the action.

The apparent collapse of the deal, part of a three-way break-up of Mercantile House, is likely to have wider repercussions for takeover practice in the UK.

It is expected to raise new questions about the future of Quadrex, which is headed by Mr Gary Klesch, a London-based US financier.

Samuel Montagu, the UK merchant bank which advised Quadrex and assured B&C about its client's financial backing, and Citibank, the US bank which had agreed to extend a £600m credit line to Quadrex, refused to comment.

B&C said it had taken Montagu's word that Quadrex had the resources to complete the purchase. Although Montagu's assurances had been oral rather than written, they were made with the knowledge of the UK Takeover Panel.

The Panel ruled in B&C's and Quadrex's favour when Crownx, the Canadian financial services and health care group, tried to mount a last-minute rival bid for the Mercantile House broking operations.

B&C is likely to seek total damages of more than £100m. This includes the £70m by which B&C raised its bid to win Mercantile House in the face of Quadrex's threat to mount a rival offer.

The wholesale brokers' business had not been hurt by the October crash, Mr Gunn said. There was a good chance that the eventual proceeds would exceed the £280m agreed with Quadrex.

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Kodak says Wall St sums on Sterling takeover are wrong

BY ANDREW BAXTER IN LONDON

WALL STREET has got its sums wrong on Eastman Kodak's $5.1bn acquisition of Sterling Drug, senior executives of the US photographic group said in London yesterday.

Mr Colby Chandler, chairman and chief executive of the Rochester, New York concern, told the company's first meeting for European investors in 20 years that Kodak expects 1988 earnings to "meet or exceed the Street's pre-merger consensus, even after taking into account the dilution effect of the Sterling merger."

Analysts had downgraded their 1988 forecasts for Kodak immediately after January's bid, by an average of 35 cents a share, because of the high price of the deal.

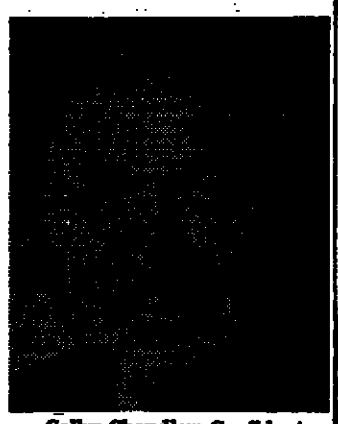
But Mr Chandler said that "based on what we have learned from Sterling and what we know about Kodak, we believe that reduction can be put back into analysts' estimates."

Pre-merger estimates of Kodak's earnings this year were about $4.40-$4.50 per share. In 1987 the group reported earnings of $1.18bn or $3.52 a share.

The analysts' worries over the takeover price have helped push Kodak's shares down from $49 to about $40 early last month. In early trading yesterday they stood at $43½.

After the meeting, Mr Chandler said he had been warned by investment bankers to expect as much as a $10 fall in the share price after the deal. But he is now confident that the stock will recover to pre-merger levels.

Mr Paul Smith, chief financial officer, had told the meeting that Wall Street had underestimated the health and vitality of Kodak's basic photographic business. Sterling, whose products range from



Colby Chandler: Confident on earnings

Lysol disinfectants to Bayer aspirin, was also expected to do better than had been projected in documentation for the takeover.

There would also be voided costs for both companies, and Street estimates of the financing costs were too high.

Yesterday's meeting had been arranged a year ago, said Mr Chandler, but Kodak used the occasion to mount a robust defence of the takeover, and allay investors' fears over other recent developments.

These have included Polaroid's announcement that it is seeking $5.7bn in damages from Kodak for infringing its patents on instant cameras, and Kodak's embarrassing revelation that batteries it claimed had a 10-year shelf life do not.

Mr Chandler admitted that Sterling was "not the best drug company in the world," but noted that its strength in registration and marketing of new drugs would be complemented by Kodak's research skills. There were also manufacturing synergies, and Kodak could "tool up very quickly" to produce a Sterling product in its own factories.

Ford plans to invest $1bn in Europe over five years

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

FORD, the world's second-largest automotive group, is to spend around $1bn on re-equipping its European plant over the next five years in an ambitious quality offensive.

Mr Alex Trotman, who takes over today as chairman of Ford of Europe from Mr Ken Whipple, said that a large part of the spending would be aimed at improving the group's manufacturing technology at its assembly plants in West Germany, the UK, Belgium and Spain. He said that Ford would substantially increase its use of computer-controlled machine tools, test equipment and assembly automation.

Mr Trotman said Ford had learned lessons from the "hard times" of the early 1980s that were shaping its current strategy, in which quality had been made the key.

"I am happy to be judged by the progress we make in raising quality during my time as chairman."

Ford, which now spends more than $8bn a year on components in Europe, said it was seeking to build closer ties to its suppliers.

It had granted long-term contracts of up to five years with 176 suppliers in Europe, said Mr Trotman. Ford was now "riding a wave in Europe."

In 1987 it sold more cars and trucks in Europe than ever before. Car sales totalled 1.47m, an increase of 121,000, compared with 1986, while commercial vehicle sales totalled 186,000, an increase of 3,000 over the previous record in 1979.

Ford increased its share of the European car market to 12.1 per cent from 11.8 per cent in 1986. It achieved record car sales in the UK, France, Sweden and Spain.

Its top-selling car in Europe was the Escort, with 466,000 units, followed by the Fiesta with 383,000, the Sierra with 364,000, and the Orion with 163,000.

In a generally booming European car market, Ford also achieved a new production record with output of 1.65m vehicles (1.48m cars and 166,709 commercial vehicles) at its plants in West Germany, the UK, Belgium, Spain and Portugal, an increase of 89,000 from the previous record year in 1986.

Stop & Shop in $1.25bn leveraged buyout plan

BY OUR NEW YORK STAFF

STOP & SHOP Companies, the New England supermarket chain, has agreed to a $1.25bn, $44 a share leveraged buyout proposed by Kohlberg Kravis Roberts, the buyout specialists, and involving the retailer's senior management.

Following the announcement of the offer, approved by Stop & Shop's board, its stock rose $⅞ to $43½. The buyout thwarts a $37 a share hostile bid from Dart Group, the Maryland-based retailer owned by the Haft family.

The Hafts have run up an impressive list of failed takeover attempts of other retailers in recent years which includes Safeway, Supermarkets General and Dayton Hudson. They have profited from the raids, however, because the targets' share prices have risen substantially.

Wall Street is getting a little sceptical, though, about the ability of the Hafts and Dart Group, which is considerably smaller than any of its targets, to win a takeover battle.

Gulf Canada in bid for Asamera

BY DAVID OWEN IN TORONTO

GULF CANADA Resources, the large Canadian energy group controlled by the increasingly prominent Reichmann family of Toronto, has launched a C$456m (US$361m) takeover bid for Asamera, the Calgary-based oil and gas production and exploration company.

Under the terms of the offer, which expires on March 30, Gulf would pay C$10.50 per outstanding common share, C$25 per series C convertible preferred share and 35 cents per common share purchase warrant.

Whirlpool to buy Roper for $350m

By Our Financial Staff

WHIRLPOOL, the leading US white goods group, yesterday entered the outdoor power equipment market with a $350m agreement to buy Roper, a Georgia-based producer of lawn mowers and kitchen appliances.

In a newspaper advertisement, Whirlpool said it had started a tender offer for all Roper shares at $37.50 apiece, and a merger on the same terms is to follow. The offer and withdrawal rights expire on March 25 unless extended.

Whirlpool said its tender is conditioned on receipt of at least 4.7m shares or 50.2 per cent of Roper's shares on a fully diluted basis, although it said the condition could be waived. Under certain circumstances, Whirlpool said Roper could be obliged to sell it 1.61m shares directly at $37.50 each.

Roper derives about 60 per cent of sales from lawn mowers and related products.

INTERNATIONAL COMPANIES AND FINANCE

Tim Dickson on the latest twist to the De Benedetti bid saga

U-turn by La Générale champion

THE ANNOUNCEMENT yesterday of a new partnership agreement between Mr Carlo De Benedetti and two leading Belgian business figures is yet another remarkable development in the six-week-old struggle for Société Générale de Belgique.

The complex deal effectively cedes another 2.2 per cent of La Générale's shares to the De Benedetti camp and takes its claimed holding to 47.2 per cent of the total capital – tantalisingly close to the magic 50 per cent needed for outright management control.

It apparently represents a U-turn by Mr André Leysen, the chairman of the Flemish holding company, Gevaert, who first burst on to the scene in late January as the unequivocal champion of Belgian interests.

Key figures in the battle: Carlo De Benedetti, flanked by Maurice Lippens (left) and Andre Leysen

And perhaps most significant of all at a time when attempts are being made to prise open a rival Franco-Belgian alliance of shareholders which says it speaks for 52 per cent of La Générale's equity, it marks the first public defection to Mr De Benedetti by a Belgian group.

The agreement reached in the early hours yesterday is between Mr De Benedetti in the name of Cerus, his Paris-based financial holding company, Mr Leysen in the name of Gevaert, and Mr Pierre Scohier, head of Cobepa, Belgium's third largest financial holding company (which has a 23 per cent controlling interest in Gevaert).

Under the terms of the deal, the three partners have arranged to set up a new holding company into which will be injected 4.5m shares of La Générale, or about 16 per cent of the total. Exactly how this will be achieved has not been spelt out, but analysts believe that Gevaert's 2.2 per cent stake has probably been sold to Mr De Benedetti or one of his followers at the market price of around BFr8,000, and that Gevaert and Cobepa (which is not thought to have any shares currently in La Générale) will subscribe to the new company at Cerus' average buying price so far of around BFr4,000.

The new holding company appears to give Mr De Benedetti effective control over the 4.5m shares despite references in yesterday's statement to "guaranteeing a Belgian anchor in La Générale's capital." The new company is to be owned 55 per cent by Cerus, with Cobepa and Gevaert each taking 22.5 per cent.

The need for "effective management" and an "industrial vision" – both referred to yesterday – has been common ground between Mr De Benedetti and Mr Leysen ever since the latter appeared on the scene late last month as the spokesman for a group of Belgian and European shareholders in La Générale.

But Mr De Benedetti's insistence on outright management appeared to be an insuperable stumbling block in previous negotiations between the two and led Mr Leysen, in one of the many surprises of the story so far, to conclude a short-lived pact with Compagnie Financière de Suez, the French financial group which now controls 27 per cent of La Générale.

It was short-lived because less than 24 hours after claiming that he had seen off Mr De Benedetti, Mr Leysen was himself forced to disappear from the scene, humiliated, when the other members of his group failed to put their names to his plan.

Mr Leysen's decision to throw in his lot with Mr De Benedetti was publicly justified yesterday on the grounds that the two shareholder camps – Cerus and the "new" Franco-Belgian alliance – will have to work together and that Gevaert can play a part in bridging the gap. There have, however, been deeper forces at work.

One, for example, is the coldness in relations between Mr Leysen, a self-made Flemish businessman, and the largely Francophone group of Belgian shareholders which form the core of the new Franco-Belgian alliance.

There is more to yesterday's developments than personal animosity, however, and most Brussels analysts see the clear hand of Paribas, the French investment bank, at work. Paribas is a 40 per cent shareholder in Cobepa – and much more if you include the stake of Paribas Suisse – while Cobepa has the 23 per cent stake in Gevaert.

It is known that Paribas, a long-standing and bitter competitor of Suez, has been concered at the way in which its rival has taken the intitiative on what it considers its "traditional" Belgian territory. Yesterday's entry into the hostilities – not least in view of the strained relations between De Benedetti and Suez – again raises speculation about a possible wider alliance between Paribas and the Italian businessman on French soil.

Asea-Brown Boveri to axe 2,500 at its unit in Switzerland

BY JOHN WICKS IN DAETTWIL

THE SWISS operating subsidiary of the Asea-Brown Boveri (ABB) group is to scrap some 2,500 jobs over the next two years – about 14 per cent of the current payroll.

The news follows the announcement last week that the group's German company would cut 4,000 jobs. Similar measures are already being carried out by ABB subsidiaries in Finland, Italy and other countries. The Swiss company itself cut more than 1,000 jobs last year.

Mr Thomas Gasser, chairman of the Swiss Asea-Brown Boveri, denied yesterday that all the cuts in the group were being borne by the former Brown Boveri group, which merged with Asea of Sweden on January 1. He said the cuts would have had to be carried out in any case to meet the Swiss partner's existing aim of improving productivity by 10 per cent and trebling group earnings.

Mr Gasser added that the Swiss measures were part of a three-year programme on the part of the ABB group. The goals set earlier by the Swiss company should be reached "at least as rapidly" as had been foreseen before the decision to merge.

Similar steps had already been taken by Asea over the past few years, resulting in higher sales per employee, greater profitability and a faster turnover of capital, Mr Gasser claimed.

As announced last week, profits of the former BBC Brown Boveri group almost doubled last year to SFr186m ($134m). At only 1.7 per cent of sales, this was still insufficient, said Mr Gasser. Some industrial activities continued to show "substantial losses."

The competitive ability of the Swiss company, which exports over 80 per cent of its production, was being seriously affected by a number of factors. These incuded the revaluation of the Swiss franc, high wage levels, low investments by electricity utilities and Switzerland's disadvantage in the field of export risk guarantees and soft loans.

The Swiss redundancy programme will affect 1,000 jobs in service functions and 1,500 in the industrial sector, including 1,000 in the product group covering thermal power stations.

The total includes the loss of 450 jobs in high tension engineering, first announced last month. Mr Gasser said that but for the merger with Asea, high tension products and possibly some other activities would have had to be given up completely.

Increased borrowing helps Rabobank to hold steady

RABOBANK, the Dutch co-operative bank, increased net profits by 1 per cent in 1987 to Fl 692m ($365m) from Fl 685m as a result of increased borrowing, despite pressure on interest margins, Reuter reports from Utrecht.

Total lending increased by 6 per cent from 1986 to Fl 99.1bn. The balance sheet total rose to Fl 145.5bn from Fl 139.7bn.

"A 3 per cent rise in lending to the agriculture sectors, 6 per cent to the commercial sectors and 8 per cent to individuals helped along the overall increase in borrowing," the bank said.

Rabobank said interest margins were put under pressure during the first half of the year, but expansion in several areas helped the bank overcome negative knock-on effects.

Income from interest increased by 4 per cent to Fl 3.76m while commission revenue increased by 8 per cent to Fl 635m as the bank expanded its activities in insurance, money transactions and shares.

October's crash in share prices pushed down other revenue by 16 per cent to Fl 130m. However, general risk provisions remained unchanged at Fl 477m.

● Centrale Suiker Maatschappij, the Dutch food and biochemical company, has acquired an 80 per cent stake in Audisio Industrie Alimentari, an Italian pasta manufacturer, for an undisclosed sum in cash, Reuter reports from Amsterdam.

Audisio has a total annual turnover of Fl 70m ($37m), about 40 per cent of which is exported. It employs 230 people. The Italian company will be incorporated in Honig, CSM's dried foods and pasta division.

Turin bank lifts provisions

By John Wyles in Rome

ISTITUTO BANCARIO San Paolo di Torino, one of Italy's top five banks, reports a 6.5 per cent increase in 1987 net profits to L505.7bn ($406.8m) and a L201.8bn increase in bad debt provisions.

This raised total bad debt provisions to L900bn at the year-end, against total loans outstanding of L42,197bn – an increase of 14.73 per cent over the year. Deposits rose 11.9 per cent, to L52,612bn.

Esab increases profits by 37%

BY SARA WEBB IN STOCKHOLM

ESAB, the world's leading manufacturer of welding equipment, lifted profits (after financial items) by 37 per cent to SKr205m ($34.2m) last year, helped by improvements in gross margins, cost-cutting measures and better market conditions. The board proposes raising the dividend from SKr6 to SKr7 a share.

Sales and profits are expected to show further increases in 1988.

Invoiced sales rose by 7.5 per cent last year to SKr4.27bn but order intake remained unchanged at SKr4.25bn. Return on capital employed rose from 14.1 per cent in 1986 to 16.6 per cent in 1987.

Mr Kjell Johansson, group finance director, said that the improved profit arose from a combination of factors. The group had aimed to improve its profit margins in those markets where it already has a strong position. It had also implemented a cost efficiency plan which involved closing surplus capacity for both hand-held electrodes and standard machines and which "has been a success."

In addition, market conditions have improved and demand has stabilised. Developments in the Swedish, British, Italian and Brazilian markets had been favourable, the group said.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Strong Swiss demand for Coca-Cola D-Mark deal

BY CLARE PEARSON

COCA-COLA, IBM Crédit, and Volvo yesterday all issued Eurobonds likely to catch the eyes mainly of Swiss investors, who have a preference for deals for "household name" corporates.

Coca-Cola made its debut in the D-Mark sector, but the other two companies raised funds in the Eurodollar sector, where Crédit National also issued a $200m bond.

Dealers in the D-Mark market, who had initially seen Coca-Cola's DM250m 10-year bond as tightly priced, thought better of the issue's terms as demand proved strong. During the afternoon it was bid as high as less 1½, to give a yield slightly lower than that on a 10-year World Bank benchmark bond.

The buying interest was said to come overwhelmingly from Swiss investors and was attributed to the allure of the borrower's name. The Swiss were expected to judge the bond's coupon as providing a yield pick-up over those in their domestic market, rather than as looking tight compared with the D-Mark sector as a whole.

The 5¾ per cent bond, led by Schweizerische Bankverein (Deutschland), was priced at 100½. Fees totalled 2½ per cent. Coca-Cola has not issued in Eurodollars since 1985, though it issued a Euroyen bond in the spring of 1986.

IBM Credit's $250m three-year issue, which had been expected for some days, was received favourably by the market, although some said its initial yield margin of 33 basis points over the US Treasury bond yield curve looked tight. The 7¾ per cent deal, priced at 101.30, was bid at less 1.30, against 1⅜ per cent fees. It was led by Crédit Suisse First Boston.

Volvo's $110m bond, led by Merrill Lynch International, filled a void in the two-year area of the market, which has not seen a new issue for some months. The three-year area, by contrast, is overflowing with recent paper particularly for car companies.

The 7¾ per cent bond, priced at 101⅛, initially gave a 50 basis point yield-pick up over comparable Treasuries. It was bid at less 1⅛.

INTERNATIONAL BONDS

Nomura International's $200m five-year bond for Crédit National was seen as reasonably priced with an 8⅛ per cent coupon and 101½ issue price. This gave an initial yield spread of about 54 basis points over comparable US Treasury bonds. The deal was quoted at levels just inside its 1⅞ per cent fees.

Competition for the mandate was said to have been fierce. Dealers noted that recent profits on Japanese equity warrants bonds – such as Nomura's deal for Oji Paper last Friday, which traded as high as 12 points above its issue price – could potentially give the Japanese houses good leeway in the pricing of swaps for borrowers at the moment.

Eurodollar bonds opened up to ⅜ point higher after overnight firmness in the US Treasury bond market but prices barely moved during the day. Dealers said activity centred on placing higher-yielding bonds with investors.

The weaker dollar last week was said to have helped demand for Ecu bonds and Austria sought to tap it with an Ecu125m five-year 7⅜ per cent deal led by Banque Paribas Capital Markets. The lead-manager said the bond, priced at 101¾, met good demand.

Nikko Securities led a 7 per cent Y10bn five-year bond for Société Générale, split equally into "bull" and "bear" tranches, with the redemption amount giving the investor a play on the future level of the Japanese government bond futures contract due December 1992. This was priced at 101⅞.

The issue was similar, although not identical, to a "bull-bear" bond issued by Sumitomo Trust International for Svenska Handelsbanken last Friday.

Eurosterling bonds, along with gilts, fell sharply after the announcement of the UK's deficit of £905m on its current account in January – much higher than expected. But they later more than recovered their losses to close up to ½ point higher after the UK Treasury had warned against attaching too much weight to the figures.

D-Mark domestic and Eurobonds displayed a firm undertone, helped by stronger US Treasuries and closed up to 30 basis points higher.

Dresdner Bank announced a DM500m bond for its Netherlands subsidiary, split into two equal tranches. Both mature in five years' time. The first 4 per cent tranche was priced at a discount of 97, with domestic tax advantages in mind. The second 5 per cent was priced at 100½. Both tranches were aimed mainly at Dresdner's own clients.

In Switzerland, prices closed slightly firmer. A SFr110m seven-year 4⅞ per cent bond for DSM closed its second day's trading at 99¾, unchanged from Friday's close and compared with a 101 issue price.

Malaysian banks ahead

BY WONG SULONG IN KUALA LUMPUR

TWO MALAYSIAN banks have reported strong profit growth, reflecting the recovery in the national economy.

Malayan Banking lifted group pre-tax profits for the first half to December by 15 per cent to 78.8m ringgit (US$30.4m), while net was nearly 30 per cent higher at 37.1m ringgit.

It is paying an unchanged interim dividend of 6.5 cents plus a one-for-10 scrip issue.

Bank of Commerce reported pre-tax profits of 14.6m ringgit for the year ended August, which exceeded the forecast profit of 9.8m ringgit in its prospectus.

Earnings after tax and minorities were 5.8m ringgit, a 190 per cent increase.

The final dividend is 5 cents. The bank said "the recovery process of the Malaysian economy appears to be gaining strength" and added: "The group can see improved performance for 1988."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						
CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

St-Gobain to buy 35% of German glass group

By Paul Betts in Paris

SAINT-GOBAIN, the French glass and pipes group, is planning to acquire a 35 per cent stake in Oberland Glas, West Germany's second largest glass packaging company.

The French group said yesterday that it was seeking initially to acquire a 24.9 per cent stake in Oberland's capital through an exchange of Saint-Gobain shares with the Wiegand family, the founders and majority shareholders of the West German company.

Saint-Gobain added that it hopes, subject to the approval of the West German Federal Cartel Office, to acquire an additional 10.1 per cent stake in Oberland to bring its overall holding in the West German company to 35 per cent. Saint-Gobain also said that the Wiegand family would continue to be an important shareholder in Oberland.

The association between Saint-Gobain and Oberland will give the French group an important entry into the West German glass packaging market, where its presence had so far been virtually insignificant. Oberland has annual sales of DM326m ($193.2m) while Saint-Gobain's turnover in the glass packaging sector totals nearly FFr7bn ($1.22bn) a year.

The French and West German groups plan to co-ordinate their research and marketing to defend and enhance the competitive position of glass packaging against rival materials.

Saint-Gobain also said yesterday that the proposed partnership between the two companies was an important step in the preparation of the unified European market of 1992.

DnC to close Eurobond side in London

By Stephen Fidler, Euromarkets Correspondent

DEN NORSKE Creditbank (DnC), the Norwegian bank which slid dramatically into the red last year because of losses on its securities business, said yesterday it was closing down almost all of its Eurobond operations at its London subsidiary and laying off 26 employees.

The move, said the bank, was a result of "change in group strategy away from the securities business and a need to cut operating costs." The cuts, including a few transfers back to head office, will reduce the size of the bank's London operation to 150 people from 180.

DnC's Eurobond operations have been running profitably this year and the move was seen mainly as a response to troubles at the Oslo head office. The bank's entire executive board has been replaced after losses of NKr800m ($124m) on securities business last year. The bank is withdrawing from Eurobond sales, origination and market making, where it had been involved in trading dollar-denominated issues for supranational and Nordic borrowers. A small operation dealing in derivative products, such as equity-linked bonds, will also be shut. A DnC executive said the bank will retain the ability to trade Eurobonds as part of its treasury operations.

The move will also affect the subsidiary's Eurocommercial paper operation, since sales were handled from the Eurobond desk, but its equity and foreign exchange businesses will be unaffected.

The bond desk of 10 people would be disbanded; five from the back office and two from the derivative products operation would also be dismissed, the bank said. A further nine employees, spread throughout the rest of the bank, would be made redundant. Mr Andre van't Hoff, head of Eurobond trading, will leave the bank.

Amsterdam SE wins on Audet

STAALBANKIERS, THE Dutch bank, yesterday lost a lawsuit against the Amsterdam Stock Exchange in which it sought the cancellation of a decision to scrap a full day of trading in the shares of Audet, the newspaper publisher, Reuter reports from Amsterdam.

An Amsterdam court upheld the bourse's decision last week to cancel all deals in Audet on February 22, when the firm's shares were highly traded as a bid by VNU, the publishing group, expired.

The exchange authorities scrapped the deals on the grounds that investors had not been properly informed.

Staalbankiers wanted the court to revoke the bourse authorities move, claiming that it stood to lose Fl 700,000 in profits.

Bob King explains why the world securities industry is frustrated

Taiwan keeps its money at home

EVER SINCE Taiwan lifted almost four decades of controls on outward foreign exchange movements last July, foreign securities executives have been vying for potentially massive slices of Taiwanese investment capital.

Seven months later, neither the expected flood of outward investment nor the proper channels to handle such funds has materialised.

One factor that has kept Taiwanese funds from moving into foreign securities has been the continued rise of the new Taiwan dollar, from more than NT$40 against its US counterpart in the autumn of 1985 to NT$28.6 now. Many analysts believe it could reach NT$25 by the year's end – and expectation of that among the general public is helping to keep money at home.

Another, equally important factor is the unfamiliarity of the Taiwanese public with the workings of foreign securities markets, and there are few qualified investment houses in a position to help them.

Taiwan's only point of reference regarding securities trading has been its own antiquated market, which has only recently begun to receive the sort of regulatory attention it needs to function properly. Insider trading, for instance, has for years been not only legal, but also an acceptable and even expected practice.

Share prices have been regularly manipulated by big players whose every move, plausible or not, has been closely followed by investors. As a result, people have tended to base purchasing decisions more on who else was buying than on company performance – which in any case could not always be judged from financial statements.

At the same time, the Government has not in the past felt the need to set standards and oversight systems for securities advisers and external fund managers because outward foreign exchange movements, with the exception of government-approved investments in productive enterprises, were against the law. Millions of dollars could – and did – leave the country over the years through a well-established and tacitly sanctioned black market. But that money usually went into traditional investments such as property.

Mechanisms lacking

So, the Government has since last July found itself faced with a dilemma: it hopes to encourage investment in foreign securities, in order to draw down its US$75bn pool of foreign exchange reserves, yet it lacks the mechanisms to bring these investments about.

Outward movements of funds have as a result been negligible, despite new rules allowing residents to move up to US$5m a year abroad. While the central bank does not separate such private remittances from trade-related foreign exchange transactions in its accounting, an official there says the private movements have been "insignificant."

Foreign securities houses, such as Jardine Fleming, Fidelity, and Citicorp Scrimgeour Vickers, as well as many foreign and local banks, have been hoping to speed the flow of Taiwanese capital into funds and securities abroad. But they, too, have been stymied so far, mostly because the rules do not specify clearly what they are allowed to do – or prohibit many operations outright.

It was only last month, for instance, that the Securities and Exchange Commission, which is responsible for all operations involving securities purchases and trading, revised its rules to allow securities firms more scope to advise their clients on potential investments abroad.

Such companies can now, on approval by the SEC, actively promote their trust funds and other instruments, whereas previously they were allowed only to provide information that the clients specifically requested. They are not, however, allowed to handle or manage funds on even a limited discretionary basis and any actual transactions must take place outside Taiwan.

So, an advisory firm may now promote its products to the public but clients must still remit their money to Hong Kong or other financial centres, where the actual purchase of securities occurs. The only companies given more latitude are four locally based mutual funds, whose initial closed-end US$40m issues will come in the near future.

Taiwan's go-slow approach to regulatory changes affecting purchases of foreign securities partly reflects the SEC's lack of familiarity with the processes involved. But it also indicates an insistence on protecting local investors against less than scrupulous "financial beachcombers," many of whom have in recent months been flocking to Taipei, hoping to cash in on the more liberal atmosphere.

Restrictions remain

Restrictions also remain on foreign securities firms that might wish to deal in Taiwanese securities. Mr Shen Pe-ling, the SEC chairman, said this month that such companies would be allowed to operate joint ventures with local firms, but may not set up branches. This, he said, was to give Taiwanese companies time to gain experience before they are forced to compete with foreign firms.

While many established foreign financial houses confess to being bothered by the restrictions that remain – and by new regulations recently announced that require extremely detailed disclosures and other financial data on securities to be offered – most quickly point out how far Taiwan has come in the short space of seven months since the foreign exchange controls were lifted.

What they cannot predict, however, is how much further the country plans to go – and over what period of time.

Swedish central bank changes lending rules

BY SARA WEBB IN STOCKHOLM

THE RIKSBANK, Sweden's central bank, announced yesterday that it would remove certain lending regulations for banks and finance companies covering the amortisation of loans for home buyers.

According to an agreement made between the Riksbank and credit institutions, annual amortisation of new loans from mortgage institutions had to be at least 3 per cent of the original amount, while for loans from banks and finance companies it was 6 per cent.

The Riksbank believed this would discourage households from borrowing too much and curb the rise in private consumption, but the ruling was widely ignored by the institutions.

Mr Anders Sahlen, a director at the central bank, admitted: "I doubt if you can find anyone who did not break the rules."

PKbanken, Sweden's second largest bank, said that it had lodged its dissatisfaction with the Riksbank when it transpired that only one out of four of the bank's customers borrowed from the bank when buying a home, which it said was an unacceptably low proportion.

When PKbanken refused to abide by the agreement, the Riksbank decided to relax the rules. "We have bowed to market pressure," said Mr Sahlen.

Junk bond expert resigns from Merrill Lynch

MR JOSEPH COTE has resigned as the head of high-yielding, or junk, bond trading, sales and marketing at Merrill Lynch to pursue other interests. He is to stay with Merrill for another month to help with the management transition, AP-DJ reports from New York.

Mr Richard Omohundro, who is known for playing the role of deal maker as part of a two-man team with Mr Cote, has been relieved of his duties in the high-yield department. He said he was completing several projects and studying future employment options both within and outside Merrill Lynch.

The impact of the changes is uncertain. Mr Cote and Mr Omohundro are highly regarded in the junk bond community and are said by high-yield experts at other firms to be largely responsible for having made Merrill Lynch one of the larger players behind Drexel Burnham Lambert, the acknowledged market leader.

Junk bond dealers at other firms credit the two executives with attracting a good portion of the high-yield underwriting business that Merrill Lynch has landed.

Analysts believe that their departure highlights the Merrill Lynch management's determination to strengthen its control over the junk bond operation.

INTL. COMPANIES AND FINANCE

Holmes à Court in Bell restructuring moves

BY OUR FINANCIAL STAFF

MR ROBERT HOLMES A COURT, the Australian entrepreneur, yesterday moved to simplify his corporate structure after the October stock market crash by arranging a takeover bid valued at about A$700m (US$503m) for Bell Group by its associate company Bell Resources.

Bell Resources is offering one of its shares plus A$1 cash for each of Bell Group's 304.8m ordinary or common shares.

Bell Resources shares fell on the stock market yesterday, ahead of the announcement, to A$1.25, down 5 cents from Friday.

The offer values Bell Group shares at A$2.25 each, compared with a market price yesterday of A$1.43, up 10 cents from Friday.

Bell Resources said it will make "comparable offers" for Bell Group's 4.8m convertible-preference shares and 30,000 cumulative-preference shares.

Mr Holmes à Court owns 45 per cent of Bell Group, which holds about 40 per cent of Bell Resources. He will own about 25 per cent of the merged company.

The move has been expected since February 15, when Mr Holmes à Court announced massive write-downs in the value of investments and said his companies were considering a restructuring "to reflect new conditions and objectives."

Bell Resources also announced yesterday it has finalised the sale of its 19 per cent stake in Broken Hill Proprietary, Australia' biggest company, for A$2.1bn.

Mr Brian Loton, BHP's managing director, said all payments and share transfers approved at last week's shareholders' meeting were completed. At the same time, the State Government Insurance Commission of Western Australia, a major shareholder which had earlier threatened legal action to stop BHP's share buyback deal, said it would not take action, although it still had reservations about the restructuring.

The two Bell companies are Mr Holmes à Court's main stock-exchange listed concerns. Both have been active world-wide in recent years, acquiring shares in such companies as Texaco of the US and Sears of the UK.

Marginal rise for Westfield

BY BRUCE JACQUES IN SYDNEY

WESTFIELD HOLDINGS, one of Australia's most successful stocks over the last quarter century, has announced a disappointing result for the latest December half year. The shopping centre owner and diversified investor's after-tax earnings edged up from A$9.6m to A$10.3m (US$7.4m) on an 18 per cent increase in revenues, from A$163.1m to A$194.6m.

The result was held back by a big fall in equity-accounted profits from associates, which fell from A$3.6m to just A$47,000. This would have reflected the group's 50 per cent interest in Westfield Capital Corporation, the investment vehicle it spun off in the bull share market of 1986-7.

The interim dividend is up from 1.87 cents to 3.75 cents a share, on capital adjusted for a reconstruction last year which included a seven-for-one bonus issue. The result was after tax of A$710,000 (A$693,000). The result was also held back by a big rise in the company's interest bill, from A$35.9m to A$60.4m, probably reflecting capital injections into Westfield Capital and expansion into the US.

The latest results were Westfield Holdings' first since it effectively funded Northern Star Holdings to purchase the Ten television network from Mr Rupert Murdoch's News Group last year for about A$800m but the Westfield structure insulates the holding company from the TV investment, which is held through Westfield Capital's controlling stake in Northern Star.

Sharp advance for Murray & Roberts

By Our Johannesburg Correspondent

MURRAY & ROBERTS, a leading South African construction and civil engineering group, more than doubled net profits in the six months to December 31, 1987, but remains unhappy with its 15 per cent return on total assets.

First-half turnover rose to R1.41bn ($675m) from R1.29n and brought after-tax profits of R38.2m against R15.9m.

The directors say construction and engineering are enjoying better trading conditions but the property operating profits have been low, with depressed market conditions. The board forecasts a further profit improvement in the current half year.

Net earnings rose to 113 cents a share from 45 cents and the interim dividend has been lifted to 25 cents a share from 7 cents.

Earnings fall at Sasol despite higher sales

BY JIM JONES IN JOHANNESBURG

SASOL, the South African oil-from-coal producer, was hit by higher operating costs and unchanged selling prices in the six months to December 28, 1987.

First-half turnover increased to R1.72bn ($823m) from R1.51bn in the corresponding period of 1986 but operating profits fell to R354.4m from R503.7m and pre-tax profits to R376.7m from R532.7m. In the last full year, turnover totalled R3.2bn and operating profit was R916.7m.

The directors say the synthetic fuels industry is temporarily in an unfavourable position and have asked the Government for greater protection from fuels derived from imported crude.

Sasol supplies virtually all the petrol sold to the closed markets of the Transvaal, the Orange Free State and parts of the northern Cape, even though fuel is sold through pumps bearing the trade marks of the oil majors. And, although Sasol's selling prices are linked to international crude prices, the company is protected by price maintenance.

The company is an important supplier of feedstocks to the fertiliser industry and is steadily expanding its own fertiliser production.

Second-half liquid fuel revenues are expected to be affected by lower rand prices of petroleum products but the directors expect this to be offset by higher prices for chemical products and increased production at the Sasol 2 plant.

The interim dividend has been maintained at 22.5 cents a share, although first-half earnings dropped to 36.8 cents a share from 51.4 cents. Earnings totalled 93.5 cents in the last full year and the dividend was 47.5 cents.

Good third quarter at Kubota

BY IAN RODGER IN TOKYO

GROUP NET profit of Kubota, the Japanese farm equipment and cast iron pipe maker, was Y4.4bn ($34.35m) in a shortened third quarter to December 31, more than the Y3.6bn of the normal period last year.

The company, which is changing its year-end from April 15 to March 31, thus shortening the third quarter by half a month, said the improvement was due partly to strong domestic demand and to cost reduction measures.

Sales for the period came to Y126.6bn compared with Y127.3bn in the third quarter of 1986-87.

Kubota said sales benefited from robust domestic demand, especially for public works and housing equipment. Farm equipment machinery sales were slow because of the Japanese Government's policy of reducing rice prices and phasing out paddies.

Pre-tax profit was Y7.6bn in the shortened quarter compared with Y8.5bn. In the eight-and-a-half months to December 31, consolidated sales were Y427.1bn and net profit was Y13.1bn. In the first nine months of the previous year, sales were Y430.1bn and net profits were Y10.7bn.

●Pre-tax profits of Yokohama Rubber, Japan's second-largest manufacturer of tyres, surged to Y8.3bn ($64.8m) last year, compared with Y3bn in 1986, mainly because of brisk sales of truck and bus tyres and a reduction in raw material costs.

Net income more than trebled, to Y3.7bn from Y1.1bn. The company, which expects profits this year to ease slightly, nevertheless increased the annual dividend to Y5 per share from Y4.

Total sales rose only 2.6 per cent to Y226.3bn with tyre sales depressed. Sales to domestic car makers were slow because of increased competition from importers. However, exports remained steady because of tight supply conditions in many overseas markets.

Yokohama expects overall sales of tyres this year to remain depressed but sales of non-tyre products will continue to grow.

October crash puts Evergo deep in the red

By David Dodwell in Hong Kong

STOCK MARKET speculation during October last year cost Evergo Industrial, the Hong Kong group controlled by brothers Joseph and Thomas Lau, exceptional losses of HK$260m (US$33.3m), the group revealed yesterday.

This loss, together with speculative losses of HK$60m incurred by its sister company, Chinese Estates, wiped out group operating profits of HK$41.5m for the six months to October 31, to leave the group with an after-tax deficit at the interim stage of HK$278m.

The Lau brothers attracted international attention early last year by attempting to wrest control of the prestigious Hongkong and Shanghai Hotels Group, controlled by the family of Lord Kadoorie, Hong Kong's only peer. The assault eventually failed but aroused fierce controversy, with allegations of concert party activities. It drew attention to weak management of Hongkong and Shanghai Hotels Group that has since led to a major shake-up inside the group.

Mr Joseph Lau, chairman of Evergo, insisted yesterday that, notwithstanding the losses, the group remained "in a sound financial position, with net cash for new investments." The board plans to waive any interim dividend.

Before the October stock market crash, Mr Lau had become well known in Hong Kong for his group's speculative share-buying activities. At the time of the crash, Mr Lau was laying plans to create a new subsidiary specifically to handle such speculative investments. These plans have since been abandoned.

Mr Lau said yesterday that Evergo now has no equity investments except its holding in Chinese Estates, which in turn owns 49.99 per cent of the shares in China Entertainment.

He said that equity investments have had no material effect on the group's results since October and claimed the group was "actively seeking" opportunities that can provide it with a "steady income stream."

Improvement all round at East Asiatic

By Wong Sulong in Kuala Lumpur

AFTER TWO years of profit decline, East Asiatic Company of Malaysia has reported a 154 per cent surge in operating profits to 24.3m ringgit (US$9.4m) for 1987 on almost unchanged turnover of 186m ringgit. Profit after tax was up 115 per cent at 18m ringgit.

The diversified group said all divisions reported improved earnings, particularly the plantation division, which benefited from higher commodity prices.

The company's 22 per cent-owned associate, Carlsberg Brewery Malaysia, reported a 14 per cent increase in pre-tax profit to 17m ringgit, despite static beer consumption.

The final dividend is 14 cents, making an unchanged 20 cents for the full year.

Suppliers

An alliance that is full of opportunity

By Charles Batchelor

S.J. CLARK Cables, a small Birmingham company which has supplied the motor industry for more than four decades, will spend £350,000 this year on new manufacturing equipment. Next year it plans the equally ambitious step of installing a computer-aided design system.

For a family-owned company with turnover of just £4m, these investments represent a sizeable outlay – particularly when they are being carried out to satisfy just one customer.

This spending, and a reshaping of many other aspects of the way Clark does business, have been prompted by its attempts to win a place on Austin Rover Group's Preferred Supplier programme, which will come into effect over the next few weeks.

The programme forms part of the British car maker's efforts to improve the quality and reliability of its vehicles and to reduce the number of suppliers to a select 700 (down from 1,300 at the start of the decade).

The change that is under way at S.J. Clark is being mirrored by companies of all sizes throughout the UK as manufacturers and retailers attempt to establish closer links with their suppliers.

Brought to the state of a fine art by Marks and Spencer in the retail field and adopted with frightening efficiency by many Japanese manufacturers, closer links between suppliers and purchasers are being promoted enthusiastically in Britain – sometimes as a way of encouraging companies to buy British.

"Traditionally, purchasing people have distanced themselves from their suppliers," notes John Marshall, director of Better Made in Britain, an organisation which encourages British companies to match the standard of imported products. "Provided he gets comparable quality the buyer will take the cheapest bid – usually from another country."

The CBI has taken up the cause of what it calls "partnership sourcing."

"Rather than just taking out his list of companies that normally tender the purchaser should enter a longer-term relationship," urges Barbara Walker, head of commercial affairs. "Particularly when they develop a new product, buyers should talk to their suppliers and take into account their capabilities and expertise."

Contrary to popular belief, many of the companies acting as suppliers to large groups are very small. Marks and Spencer says it sets no lower size limit for its suppliers as long as they can meet its quality standards. It currently uses a small bakery to produce continental bread for six of its stores.

Dealing with a large customer can represent a considerable challenge for the small company. Austin Rover, for example, puts its suppliers through a training programme aimed at convincing their workers of the need for quality control at every stage of the manufacturing process.

Just-in-time

It insists that they adopt a just-in-time system of deliveries and, as part of its efforts to eliminate paper design drawings, encourages them to instal computer systems which can communicate with its own data base.

Merriott Mouldings, a Somerset-based supplier of plastic parts used in vehicle interior trims, has had to instal a separate personal computer-based system to monitor process control because its existing mainframe computer could not be adapted.

Pinneys of Scotland, a supplier of smoked salmon, pates and roulades to Marks and Spencer, started its nine-year relationship with the retailing group by taking on trained staff and installing hygiene control systems to M and S's tough quality standards.

"Big companies look for a level of technical product support which can be quite expensive," says David Dowson, managing director of Pinneys, which has grown from turnover of under £1m to more than £30m since forming links with M and S.

"They want frequent deliveries of small amounts on a trial basis which may not be economic at first. This can be quite punishing on a small company's profitability when the pay-back can only be measured in years."

Perhaps the most challenging aspect for the small supplier is the insight the purchaser demands into its partner's books.

"To get your profit you have to justify your costs," says Bernard Clark, managing director of S.J. Clark. "They want to see what you have spent on materials, processes and time. Then they allow you a profit on top."

If S.J. Clark wins preferred status with Austin Rover it does not expect the arrangement to lead to improved margins. But it does expect a rise in turnover (and employment), so in the end profits will increase.

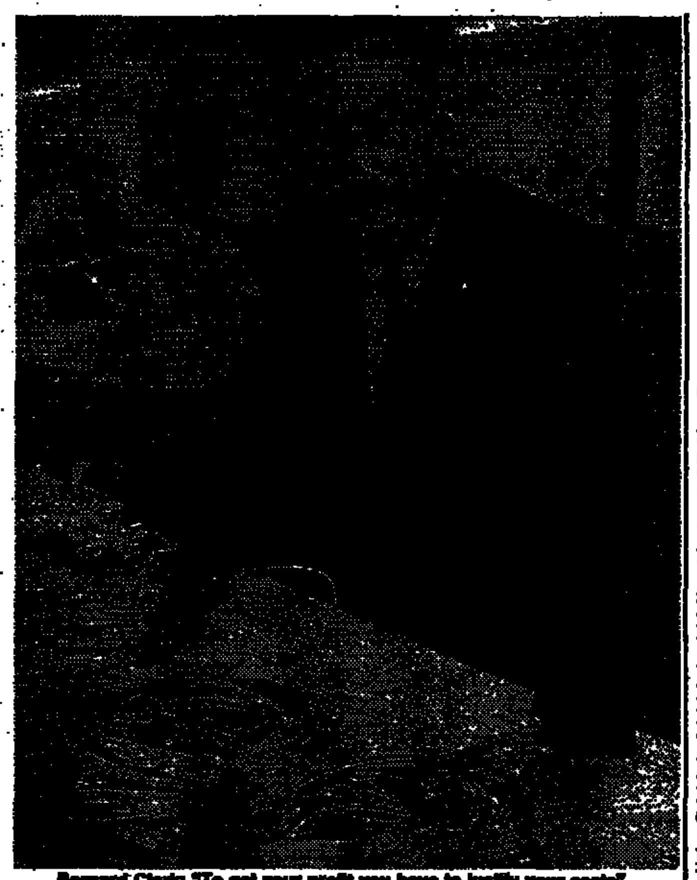
Roger Baker, managing director at Merriott, confesses to some reservations about how this method of calculating profits will develop. "I can see arguments over how any cost savings are shared out," he says. "We don't have a cost-plus system yet but that is the way it is going."

Relying on one customer for a large part of your sales has its dangers. Replacing such a customer at short notice if the supply arrangement was ended would be almost impossible. Merriott's Baker says he limits individual customers to 30 per cent of his total business. Austin Rover currently accounts for nearly £1m worth of Merriott's £5m turnover.

But the benefits to be gained from such deals can outweigh the drawbacks. The quality standards large purchasers insist on can cut wastage and make the small supplier an attractive partner for other large buyers. FII Group began supplying shoes to M and S 27 years ago and has since grown into a sizeable quoted company with annual turnover of £48m.

Monty Sumray, FII's chairman, acknowledges the retailer's "upward influence on quality." He comments: "We go through wear testing, material testing. Everything is tested. Footwear returns nationally are 5 per cent. Ours are well below 1 per cent. The difference is extra profit."

Large customers are often ready to provide suppliers with their own technical expertise. M and S teams of selectors (the company's name for buyers) usually include a technologist to advise on standards. "We have specialists in-house in fields such as production engineering and robotics," says Ronnie Jacobson, an M and S spokesman.



Bernard Clark: "To get your profit you have to justify your costs"

To help companies bring their computer systems in line with those of Austin Rover, the carmaker lets its suppliers use its own in-house systems or puts them in touch with a computer agency which can handle their design needs.

Though the purchaser may insist on peering into the supplier's books, single sourcing cuts out damaging competition on the basis of price alone.

"Fifteen years ago competition was purely on price," Bernard Clark recalls. "Even if you knew you could improve quality by 20 per cent for only a 3 per cent increase in costs you wouldn't do it. The big worry for companies like ours was that you could spend on development and then somebody would undercut you."

Under Austin Rover's preferred supplier system a company like S.J Clark would be involved in developing new cables from the design stage secure in the knowledge – provided long term competitiveness were maintained – that it would get the contract to make the product.

For manufacturing companies which supply retailers there is the added advantage that their partner is in close touch with the market.

Kalon, a West Yorkshire-based paint manufacturer and now an £81m turnover company, developed a non-drip wood varnish together with B & Q, the DIY arm of Woolworths, for sale under the retailer's own-brand label. B & Q says no non-drip varnish was available at that time yet its market research showed potentially strong demand for such a product in an otherwise unexciting paint market.

The market research proved accurate and the new varnish has since exceeded budgeted sales.

Such relationships usually guarantee the supplier regular orders and, of importance, prompt and regular payments. Kalon, for example, has a long-standing agreement – renewable annually – with B & Q to supply its entire range of wood preservatives.

Ultimately, whether the benefits a small company can obtain from such relationships outweigh the difficulties, depends on the quality of its management.

"The problem is that the big firm knows what it wants but it has to find a small firm with the management skills to keep up," warns John Marshall. "These arrangements have to be managed," says Merriott's Roger Baker. "The big company will take advantage of you if that quality of management is not there. If you manage well you will be left alone."

Books

From sales to franchising

BY CHARLES BATCHELOR

FOR MANY small business people the ultimate aim is achieving a sale. Once the customer has signed the contract all their problems are over, they fondly believe. In fact, their difficulties may just be beginning for they still have to obtain payment.

Converting a sale into cash is frequently regarded as a chore and delegated to the office junior. This is a mistake, warns Peter Buckland in *Debt Collection Made Easy (123 pages, £12.95, Kogan Page)*. The interest charges on the extra borrowings needed to support slow-paying accounts can have a crippling effect on the net profit margin of a company.

From Aged Debtor Analysis to Why Debtors Don't Pay, Buckland explains how to speed up payments without antagonising customers. The alphabetical approach makes this a useful reference book though it would have benefited from a fuller general introduction.

One of the perils against which David Clutterbuck and Marion Devine warn in *Management Buyouts (233 pages, £16.95, Hutchinson)*, is less likely to threaten buy-out teams in the wake of the stock market crash of October 19. This is the problem of institutional backers pressing for such a rapid realisation of their investment - by sale or flotation - that the managers become almost incidental to the process.

The market slump has meant that buy-outs which are now being arranged are more likely to have a sound industrial logic and smack less of purely financial engineering than in the headier climate before October 1987.

There may be fewer buy-outs taking place and the deals may be smaller following the crash but managers are still in need of advice, particularly in the early stages when a wrong move or an approach to the wrong person can lead to dismissal or the blighting of an individual's career.

This book provides a useful overview, though it lacks the practical detail of some other recent studies.

A wealth of information is available free of charge to the businessman if only he knows where to look for it. *Sources of Free Business Information by Michael Brooks (106 pages, £6.95, Kogan Page)* tracks down a large chunk of what is available from accountants, government departments, banks and other financial groups.

The author gives details of more than 500 booklets, leaflets and video tapes provided or loaned free of charge by 90 organisations on topics ranging from tax and sources of finance to exporting and company law. He warns, however, that many of the publications are produced to promote particular goods or services so the advice may not be completely unbiased.

Franchising is mentioned briefly but comes in for fuller treatment in *Taking up a Franchise by Colin Barrow and Godfrey Golzen (336 pages, £7.95, Kogan Page)*. As a method of doing business, franchising has had an indifferent press in Britain with much attention focused on the failures and the frauds.

Nevertheless, there are now estimated to be more than 20,000 franchise outlets with combined annual sales of over £2bn and many in the industry are forecasting a further expansion prompted particularly by renewed activity from US franchisors.

Barrow and Golzen give practical advice to the would-be franchisee and point out that while franchising can eliminate some of the more costly bumps in the learning curve it is not an easy way to riches. They include a detailed index of franchises available in the UK.

The industry from the point of view of the franchisor is looked at in Franchising in the UK from Adlers, a firm of solicitors, and accountants Arthur Young. This rather technical book devotes much of its space to tax and legal considerations in the UK and the European Community. *(104 pages, £14.50 from Franchise World, James House, 37 Nottingham Road, London SW17 7EA).*

In brief. . .

MORE AND MORE people own shares in their companies as a result of the Government's privatisation programme and the realisation that shareownership can increase employee motivation.

But while interest has centred on the larger, usually listed, companies, little attention has been paid to employee share ownership in the small business. The Department of Employment has now begun a study of the development of employee ownership (excluding co-ops) and its potential for the future.

The study, which will be carried out by accountants Peat Marwick McLintock, aims to establish the number of firms either partially or wholly owned by their employees, how they are formed, what problems they encounter and what sort of help they seek and get from support agencies such as enterprise agencies.

It will look at businesses where 10 per cent or more of the shares are owned by at least 10 per cent of 10 full-time employees (whichever is the greater) either individually or in trust.

Contact Peat Marwick McLintock. Tel 01-236 8000.

•

A COMPUTER programme which allows a small business owner to assess the potential and the pitfalls facing his own business is being developed by Durham University Business School. The "Profit Improver" allows the business person to ask a series of questions relevant to his business alone.

This not only reduces time-wasting generalisations but offers a logical analysis of a firm's position, the business school claims. When fully developed the system will be offered to small businesses as a first step to improving profitability before the owner goes on to see a business consultant.

Contact: DUBS, Mill Hill Lane, Durham DH1 3LB.

•

LARRY KLEEMAN, chairman of Kleeman Plastics Group, has been appointed chairman of the CBI's Smaller Firms Council. He succeeds Jean Parker as chairman for the usual two year term. Among issues identified by the CBI in its eight-point plan for small businesses are alerting them to the opportunities of the proposed European single internal market and identifying and meeting their management education needs.

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Financial Director,
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Box Hedge Hall,
Budworth Lane,
Great Budworth,
Cheshire CW9 6HR.
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London, EC4P 4BY

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Company Notices

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(A bank governed by the Bank Act (Canada))
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(Resulting from the conversion of the Floating Rate Notes due 2085)

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The interest payable on the relevant interest payment date, August 31, 1988 will amount to, US$360.97 for Debentures of US$10,000 nominal and US$3,609.70 for Debentures of US$100,000 nominal.

The Reference Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

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Amount outstanding: U.S.$. 331.375.000.-

The Principal Paying Agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
Succursale de Luxembourg
15.Avenue E. Reuter
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STRONG GROWTH IS BUILT ON REED DEAL AND BUOYANT TRADING CONDITIONS

Williams raises profits 2½ times

BY CLAY HARRIS

Williams Holdings, the consumer and building products and engineering group, increased its pre-tax profits by 2½ times to £57.2m in 1987, the year in which it became Britain's second largest paint manufacturer from a standing start.

Crown Paints, bought from Reed International, contributed trading profit of £6.5m in its initial six months. North American paint operations and the Polycell DIY products also included in the Reed deal kicked in an additional £8.7m.

Williams followed the Crown purchase late last year with acquisition of Berger Jenson and Nicholson from Hoechst for £133m.

A review of the UK operations of Crown and Berger, which officially joined the group a month ago, is expected to be completed within two to three weeks, Mr Nigel Rudd, chairman, said yesterday.

Mr Rudd said Williams had seen no sign of a downturn in demand for any of its products either in Europe or North America and he expected current "very buoyant trading conditions" to continue.

The pre-tax advance from £22.9m was achieved on turnover of £462.7m (£206.2m). Despite the share issue to finance the £285m acquisition from Reed, fully diluted earnings per share advanced by 36 per cent to 20.4p (15p).

A proposed final dividend of 4.34p (3p adjusted for a two-for-one scrip issue in September) will raise the total to 7p, 50 per cent higher than the 4.67p paid for 1986.

Turnover and trading profit increased in all activities and geographical markets. The UK maintained its position as by far the largest and most profitable area, accounting for 68 per cent of sales and 70 per cent of trading profit.

The largest single sector was consumer and building products in Europe, including the UK, where brands include Rawlplug fasteners, Polycell adhesives, Swish curtain tracks and Amdega conservatories. Trading profit advanced to £22.6m (£8m).

Net interest payable more than doubled to £2.26m (£1.07m). The effective tax rate rose to 25.8 per cent from 20.8 per cent.

Williams' narrowly unsuccessful bid for Norcros last spring cost £5.4m, accounting for most of the £6.4m (£4.67m) extraordinary charge. A net exceptional credit of £687,000 (£1.87m) reflected £6.4m profits on asset disposals and currency gains less £5.7m in re-organisation costs, of which Crown and Polycell accounted for about half.

See Lex

T&N buys US textile producer for $32m

T&N, the engineering group formerly called Turner & Newall, is broadening its interests in the US with the acquisition of the Bentley-Harris Manufacturing Company for $32m (£18m) cash.

Bentley-Harris, based in Pennsylvania, manufactures braided textile products for protection applications in the aerospace, electronics and mechanical engineering industries.

Bentley-Harris, formerly owned by Raychem, made pre-tax profits of $4.2m on $29m turnover in the year to June 29 1987; assets are in line with the purchase price.

The acquisition takes the percentage of T&N's assets employed in the US from 10 to about 15 per cent.

BM acquires Beazer building products side in £47m deal

BY NICK GARNETT

BM Group, fast-growing machinery manufacturer and distributor, is adding building products to its portfolio with the announcement yesterday that it is paying £47m for two groups of companies in the Beazer empire.

The acquisitions are Beazer Products and Services (BPS) and Tod which together will have sales of about £60m this year. Their businesses range from concrete piling and timber frame products to PVC doors and plastic cladding.

BM is paying £37.4m through the issue of 1.49m ordinary shares and 31.74m convertible preference shares. It is also absorbing an extra £9.6m of net borrowings.

As a result of the deal, which has taken 22 months to complete, Beazer's stake in BM increases from 25.8 per cent to 29.9 per cent.

The purchases, which include 15 companies operating on 41 sites, will add a large chunk of activity to BM's existing business structure.

BM's turnover for the six months to December 1987, also announced yesterday, was £47.17m, up 60 per cent on the £29.39m for the comparable period. Profits before tax were up to £3.13m from £2.12m.

Before the latest purchases, analysts had been looking for full-year figures from BM of about £115m turnover and pre-tax profits of about £7.3m. Three months of performance from the two acquisitions will be included in BM's full-year figures.

BPS and Tod together had pre-tax profits of about £4m last year and are expected to make profits this year of £4.8m.

Mr Roger Shute, BM's chairman, said the acquisitions slotted into the groups's strategy of diversifying from engineering-based operations.

The group has stated that it wants three arms to its business. These are: machinery making and distribution – for which it already has a number of companies making construction, road-making and agricultural equipment; consumer goods and building products.

It is keen to acquire some businesses serving the DIY market, such as hand tool makers, but nothing has materialised on this front so far.

Mr Shute said all but two of the fifteen new businesses were either performing well or adequately, but there was plenty of scope for rationalisation and reorganisation.

BPS and Tod together employ 1,843, with yearly sales averaging £33,000 per employee. The existing BM group employs 1,550, with a per capita turnover of £61,000 last year and an expected £69,000 this year.

Mr Shute said the two businesses which had not been performing well were a stone restoring operation and a sand and gravel extraction business.

Market capitalisation of BM now is about £93m, but will be £130m after the acquisitions. Mr Shute said that by the summer, once all the transactions had been completed, BM would have net tangible assets of £40m and bank borrowings of £6m.

Kevex stalls over UEI's $56m offer

By Nikki Tait

DIRECTORS of Kevex, the California-based scientific instrument company which is on the receiving end of a $56m (£31.65m) tender offer from the British company UEI, were due to meet yesterday to consider the approach.

The board has not yet expressed a view on the offer – although the two companies have talked informally about merging in the past, with price believed to be the stumbling block. However, according to Kevex, it may be necessary to hold a further board meeting later in the week – although Mr Richard Frankel, president, says that the company hopes to make a statement on the offer on or before March 4.

Underground push for Polypipe

BY FIONA THOMPSON

Polypipe, manufacturer of above-ground and underground plastic plumbing and drainage systems for the building and construction industry, reported pre-tax profits 68 per cent ahead at £2.72m for the six months to December 31, 1987. The advance from £1.62m was made on £18.95m sales, a 66 per cent rise on last year's £11.42m.

The bulk of the growth was in underground drainage systems, said Mr Kevin McDonald, chairman, though there was sustained growth in all sections of the core, above-ground rainwater, soil and waste pipes business.

Polypipe is based in Doncaster, Yorkshire, with additional factories in Sittingbourne, Kent, and Portadown and Lurgan in Northern Ireland.

At the rate of 25,000 tonnes a year, it is one of the top three users of PVC in the UK. And with 2,000 customers, the company reckons to have approximately 20 per cent of the UK above-ground drainage market, and about 11 per cent of the underground market.

Though not contributing to these figures, last November's acquisition of Hayes Pipes of Ulster and its subsidiary Autoplas has given the company a larger share of the polyethylene domestic water supply market and taken it into new product areas - agricultural land drainage and civil engineering drainage, such as motorways. Last year Polypipe also bought In-Sink Equipment, a kitchen sink supplier.

"We have broadened the group's product range and the sectors in which we operate, to leave us less vulnerable to a downturn in any one sector," said Mr Brian Leesing, corporate development director.

Though the sink company is small, Polypipe is interested in the spin-off trade – the waste pipe fittings business likely to come with the contacts.

The company has merged the production facilities of Polypipe and Paragon Plastics, which it acquired in November 1986, on the original Paragon site in Doncaster, and it has re-sited Procell Plastics, previously in Kent, into the original Doncaster Polypipe factory nearby. This will allow for expansion of this cladding, fascia and window board business.

The tax charge was £994,000, compared with £598,000 last time.

Earnings per share rose 48 per cent from 2.03p to 3.0p, after adjusting for a 1-for-1 scrip issue. An interim dividend of 0.7p has been declared.

● comment

Results like these may have seemed a pipedream just a few years ago but this company even now has a great deal of growth yet to come. Its traditional rainwater, soil and waste pipe market is extremely buoyant and enjoying expansion as housebuilders go upmarket. Underground, plastic is gaining ground against the heavy, costly to move, and breakable clay. Procell, which makes plastic architectural fittings, has been a remarkably successful acquisition, increasing manufacturing capacity by 400 per cent in one year. Maintenance free window sills and board cladding are a boon to local authorities and private owners alike in the enormous refurbishment and renovation market - wood without the aggro. The shares closed unchanged at 155p last night. Assuming pre-tax profits for the full year of £7m, this produces a prospective p/e of 20, reflecting the growth prospects.

BBA pays £12m for textile companies

By Andrew Hill

BBA Group, the motor components and industrial materials company, is to buy four industrial textile businesses for £12.2m net in cash.

The businesses make a wide range of yarns for hoses, belting, tyre cord, carpets and a range of general industrial products, complementary to BBA's UK industrial textiles division.

The businesses have been bought from Greatley Investments for £20.3m. Their net assets include £8.1m of interest income, and in the year ended March 31 they recorded operating profits of £1.8m.

The deal provides for the total payment to be adjusted depending on the operating profits of the businesses in the 1987/88 financial year.

The main trading subsidiaries are Highams, Park Yarns and the Ash Group. A fourth smaller subsidiary was also included in the total cash payment, which is being funded from BBA's resources.

Trafalgar raises stake in water company to 26.2%

BY ANDREW HILL

Trafalgar House, shipping, property and construction group, which is building up holdings in the UK's statutory water companies, has increased its stake in Rickmansworth Water Company from 22 to 26.2 per cent.

A total of 10,000 3.5 per cent consolidated ordinary shares were bought by Cementation SAUR Water Services, jointly owned by Trafalgar House and Bouygues, the French contractor.

Cementation SAUR announced last week that it held 21.06 per cent of Colne Valley Water.

Statutory companies severely restrict the influence of major shareholders, but Trafalgar House is seeking to increase its experience of operating water supply companies.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Fleming Ent.	int	0.75	-	0.75*	-	2.33*
Microfilm Repro	int	1.13†	-	0.75*	-	2.25*
Polypipe	int	0.7	Apr 8	0.51*	-	1.55*
Sinclair G'smith	int	0.9	Apr 29	-	-	0.75
Rights & Issues	fin	3.4	Dec 31	3.15	4.6	4.25
Williams Hldgs	fin	4.34	Apr 27	3*	7	4.67*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♠Unquoted stock. ♥Third market.

S&N stake held by Elders is re-enfranchised

By Lisa Wood

A court order disenfranchising about two per cent of Scottish & Newcastle shares held by companies related to Australian group Elders IXL has been lifted.

S & N, in the Court of Sessions, Edinburgh, had disenfrachised a block of shares held by various nominee companies which had not replied to notices served under Section 212 of the Companies Act. This requires that the respondent gives details of his interests.

S & N said yesterday that the Court order had now been lifted after certain information had been provided by companies including nominees of County NatWest. Elders, it said was believed to have a 2.5 per cent stake in S & N, held by the nominee companies.

Ocean Transport property disposal

Ocean Transport & Trading has agreed to sell India Buildings, Liverpool, to the Carroll Group of Companies for an undisclosed sum. The building is in Ocean's books at £7.5m.

Mid-term profits rise at Microfilm

BY DOMINIQUE JACKSON

Microfilm Reprographics, microfilming bureau, yesterday announced pre-tax profits up a third to £1.66m (£1.23m) for the six months to end-December 1987.

Turnover rose to £7.06m from £5.43m, with earnings per share 5.6p against 4.3p in the comparable period. The interim is set at 1.125p (0.75p).

Mr John Redmond, chairman, said the half year under review had shown further progress in sales and profits for all divisions and that sales and profits in the current year were running ahead of last year.

The new service of high speed scanning and digitisation of documents, for which the European Patents Office has awarded Microfilm a large contract, had taken longer than anticipated to come on stream, Mr Redmond said.

However, this was now in operation and was expected to contribute to profits by the fourth quarter.

The delay, which was approximately four months, was a result of the exactingly high standards needed for this kind of work, Mr Redmond explained.

The company foresaw a huge potential market for this service and would begin canvassing prospective clients now that the operation was up and running successfully, he said.

Microrite, the laser printing bureau Microfilm acquired last summer, was now operating at a profit.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Mineral Oils and Resources Shares Fund, Space Planning, Unidare, Unilever.
Finals- Allen Cooper, Fleming Mercantile Investment Trust, Johnstons Paints, Radius, Record Holdings, STC, Second Market Investments Task Force, Templeton Galbraith, Unilever NV.

FUTURE DATES

Interims-

Gabicci	Mar 22
Harmony Gold Mining	Mar 14
Macklow (A.J.)	Mar 10
Paterson Zochonis	Mar 15
Sheldon Jones	Mar 3

Finals-

Abbott Mead Vickers	Mar 9
Anglo American Gold	Mar 9
Anglo American Industrial	Mar 8
Arnotts	Mar 24
BAT Industries	Mar 23
Charterhouse	Mar 8
Cityvision	Mar 9
Davidson Pearce	Mar 14
Expamet International	Mar 8
Hall's Homes & Gardens	Mar 17
Hawley Group	Mar 4
Jacob (W.R.)	Mar 10
Law Debenture	Mar 10
Liberty Life Assoc Africa	Mar 9a
Mercy Group	Mar 14
Miss World	Mar 9
New Darien Oil Trust	Mar 11
Nichols (J.N.) (Vimto)	Mar 9
Robinson (T.)	Mar 18
Rolls-Royce	Mar 24
Rotork	Mar 23
Spong	Mar 8
Sumit	Mar 7
Telephone Rentals	Apr 12
Tyne Tees Television	Mar 9
Uni Plantations Africa	Mar 2

Hanson abandons Armitage bid plans

BY DOMINIQUE JACKSON

Hanson, the industrial conglomerate, yesterday announced it was abandoning its plans to acquire George Armitage & Sons, rekindling speculation over a likely new bidder for the Wakefield-based family brick business.

The $69m agreed bid by Hanson was referred to the Monopolies and Mergers Commission last month.

Mr Martin Taylor, a Hanson director, said Armitage asked Hanson not to proceed with either the Monopolies and Mergers reference or the offer to allow other possible buyers renewed access to the company.

Armitage, one of Britain's oldest brick manufacturers, founded in 1842 and still family-run, put itself up for sale last autumn in a circular to Hanson and several other potential purchasers.

The company, which is still privately-owned, last month announced virtually doubled pre-tax profits to £5.9m for 1987 in an unusual move analysts said was designed to tempt new offers if the Hanson deal fell through.

Samuel Montagu, Armitage financial advisors, said the company was currently in talks with the Office of Fair Trading to ensure that subsequent bids did not encounter the same problems as the abortive Hanson deal.

Mr Geoffrey Armitage, chairman, said the company was eager to strike a deal with another suitor shortly. He said the board would seek a bid of similar magnitude to the £69m Hanson offer.

A dozen companies are understood to have joined in the original bidding for Armitage last autumn, among them, Ibstock Johnsen, one of the few independently-quoted brickmakers left in Britain following a string of takeovers last year.

Mr Peter Woodman, Ibstock chief executive, said the company was still extremely interested in acquiring George Armitage.

However, he added that he feared Ibstock might again be outbid in anticipated strong competition for Armitage.

Last year's rash of takeovers, which saw Ockley go to cement group Blue Circle and Nottingham Brick to tile and building materials group Marley, signalled a return to popularity for the sector, once seen as one of the duller branches of the building materials industry.

Brick sales rose by 5 per cent in 1987, boosted by the house-building boom while shortages pushed up brick prices.

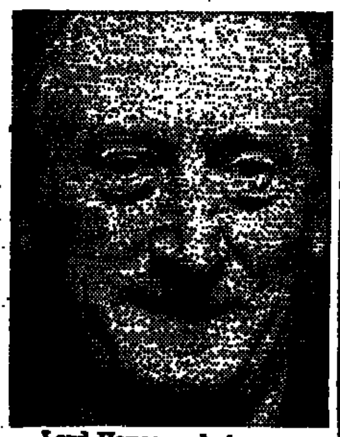
This was reflected by the high prices paid by Blue Circle for Ockley (£73m) and offered by Hanson for Armitage (£69m).

Although Blue Circle, still smarting from the narrow failure of its bid for Birmid Qualcast last month, was mooted as a contender for Armitage, the company said a bid was most unlikely.

Blue Circle said although the cement group had been involved in early discussions with Armitage, the main thrust of its non-cement activities was along the home products line exemplified by Birmid Qualcast.

Another party thought to be high on the list of potential buyers is Marley, which made sound moves into brickmaking last year with Nottingham in the UK and US General Shale.

Analysts said the success of these ventures had encouraged Marley to seek further acquisitions in the sector and that the company is in a strong enough financial position to make a serious bid for Armitage.



Lord Hanson, chairman

A Marley spokesman declined to make any comment on the company's intentions regarding Armitage.

Unigroup shares fall 118p as dealings are resumed

BY ANDREW HILL

SHARES in Unigroup, the embattled timber, building and clothing company, fell from 173p to 55p yesterday when trading re-opened after a five-month suspension.

Last week, announcing losses before tax of £1.18m for the 14 months to the end of June 1987, Unigroup directors said that the Department of Trade and Industry was to examine the books and records of the group under section 447 of the Companies Act.

Unigroup's shares were suspended on October 8 on the announcement of a separate DTI investigation into possible insider dealing. The company's chairman, Mr Ivor Goodman, resigned four days later.

The company is also involved in legal action against Mr Goodman and others to recover alleged bad debts of £1.07m from Dewfield, an unlimited private company from which it bought two subsidiaries in 1985. Dewfield has filed a counter-claim of £2.03m against the group.

Mr James Malthouse, chairman, attributed the drop in the share price to last week's figures and the fact that the shares were suspended before the stock market crash.

He added that news of the latest DTI inquiry – which the DTI neither confirms nor denies – was something shareholders had a right to know.

MONTHLY AVERAGES OF STOCK INDICES

	February	January	December	November
Financial Times				
Government Securities	89.12	88.33	88.66	90.71
Fixed Interest	95.53	94.71	95.69	95.28
Ordinary	1397.6	1419.4	1337.0	1296.0
Gold Mines	255.5	285.9	319.1	295.0
SEAQ Bargains (5 p.m.)	23,705	25,235	22,187	31,938
F.T.-Actuaries				
Industrial Group	915.91	923.13	867.7	849.94
500 Share	986.84	992.40	931.3	913.07
Financial Group	649.23	655.25	608.5	598.39
All-Share	896.46	901.59	844.7	827.92
FT-SE 100	1746.0	1767.6	1674.8	1647.1

	Feb. High	Feb. Low
Ordinary	1433.9 (25th)	1349.0 (8th)
All-Share	914.40 (25th)	870.19 (8th)
FT-SE 100	1782.4 (25th)	1766.3 (3rd)

Celestion shares rise on talks

Shares in Celestion Industries, clothing and loudspeaker manufacturer, closed 2p up at 40p yesterday after the board confirmed that discussions were continuing with a number of interested parties which might lead to an offer being made for the company's shares or part of the company's business.

Michael Peters clawback outcome

Shareholders in Michael Peters, design group, subscribed about 32.5 per cent of the equity they were offered under a clawback arrangement following the company's purchase of Hambrecht Terrell and Spectrum Communications. The remaining shares have been placed.

Rights and Issues Inv

Rights and Issues Investment Trust increased earnings per share from 3.57p to 4.5p per 25p share for the year to December 31 1987. The final dividend per income share is being raised from 3.15p to 3.4p, making a total of 4.6p (4.25p). Per capital share it is being raised from 0.215p to 0.23p.

Income from investments increased to £264,981 (£229,767) and net revenue was £230,545 (£189,577). Net asset value per income share rose to 80.6p (64.0p) and on capital shares 265.5p (191.3p).

Higher profit anticipated for Plessey/GEC venture

BY DAVID THOMAS

Plessey's joint venture in telecommunications equipment with the General Electric Company will offer scope for reduced manufacturing and engineering costs and improved profits, according to Plessey's circular to shareholders published yesterday.

The circular, giving further details of the merger first announced in October, says the joint venture would have made profits of £159.6m on sales of £1.17bn for the year to end-March 1987.

Plessey refused to estimate the savings likely to be achieved by the merger, stating that this was a matter for the joint venture's management. Subject to a Plessey extraordinary meeting on March 26, trading is set to commence on April 1.

Mr Richard Reynolds, the joint venture's managing director, said that decisions on rationalisation would be taken within two months. The joint venture employs about 20,000 people in the UK and 3,000 overseas.

Plessey's half of the joint venture, which is not exactly identical to the company's telecommunications business as reported in its accounts, is forecast to make profits of £80m in the year to end-March. Last year it made £84.7m on sales of £618m; GEC's half made £74.9m on sales of £553.7m.

GEC is paying Plessey £45m in recognition of the fact that Plessey is transferring more valuable assets to the joint venture. As at March 31 1987 the net assets of the joint venture would have been £428m.

Sir John Clark, Plessey chairman, stressed that the joint venture would be better placed than each company individually to compete in world markets. Overseas sales represent about a quarter of the joint venture's turnover at present.

The agreement between the two companies states that each company has the right of first refusal to take full control of the joint venture if the other wishes to sell its stake or if the other is acquired by a third party.

It also says that a dividend equal to 50 per cent of profit after tax, minority interests and extraordinaries is to be paid each year to the parents, unless otherwise agreed.

Negotiations are continuing about bringing Plessey's joint venture in cellular telecommunications with Racal, called Orbitel, and Plessey's joint venture with Telenet in data networks into the arrangement with GEC.

The two directors named so far of the joint venture's operating company, which will be responsible for day-to-day operations, product decisions, and marketing, are Mr Reynolds, formerly with GEC, and Mr Tony Isaac, previously with Plessey, who is to be finance director.

A holding company will be responsible for top management appointments, strategy, acquisitions and disposals and monitoring budgets. It is to be chaired by Sir John, with Mr Stephen Walls and Professor William Gosling also from Plessey; Mr Malcolm Bates, Mr Simon Weinstock and Mr A.J.Rogers will represent GEC.

Addison demerger proposal

BY PHILIP COGGAN

Addison Consultancy, the corporate communications group, is demerging its recruitment arm, Michael Page, just three years after the two companies were joined together.

The recruitment division will be transferred to a new holding company called the Michael Page Group with shareholders receiving shares in the new company in proportion to their existing holdings. Michael Page will then seek a listing on the main market.

Mr Michael Page, the founder of the recruitment company, will resign from the Addison board and become chairman and chief executive of the new group. The two companies have guaranteed to maintain their cross-shareholdings for at least 15 months.

Addison merged with Michael Page as part of its breakneck expansion in 1985/86 when the group also merged with financial public relations group Chetwynd Streets and bought market research company Taylor Nelson.

At the time, there was much talk about the synergy between the various groups. But Mr Steve Smith, Addison's chief executive, said yesterday there had been "less synergy than expected.

"The design and public relations businesses are fundamentally client-driven," he said. "But the recruitment business is candidate-driven. You can't get clients without the right candidates."

In addition, Mr Smith said the market's perception of conglomerate communications groups had declined. "Profits have grown quickly but we have been penalised by the market because of the complexity of the business. A demerger will increase value for shareholders."

The market seemed to agree with him yesterday, pushing Addison's shares up 9p to close at 98p. Addison also estimates that 1987's pre-tax profits will be not less than £8.5m, 84 per cent higher than the previous year.

Mr Smith said that there were no plans for further disposals from Addison. A planned management buyout of the financial public relations division, Streets Financial Strategy, failed last autumn and a number of the PR group's directors have resigned and formed a new company, Citigate.

Hillsdown adds to Dutch operations

By Nikki Tait

Hillsdown Holdings, the food and furniture group, yesterday announced that it has made three more Dutch acquisitions during the past six weeks. Together they bring annual sales of Hillsdown's Dutch subsidiary to more than £100m, and pre-tax profits to £8m-plus.

The latest purchases involved a cash outlay of about £5m and comprise:

- 51 per cent of trading company National Foods Holland Holdings, with the balance to be acquired in equal tranches over the next five years on a multiple of eight times after tax. Sales in 1987 were about £15m.
- Two companies within the Van Messel Group, with sales of about £15m. One company operates a meat processing factory and the other is a meat trading operation. Both will be wholly owned by Hillsdown.
- 60 per cent of Jeco Beheers Maatschappij, which specialises in canning and bottling mushrooms. The balance of the shares will be acquired on a seven times after-tax multiple, over the next four years. Sales in 1987 were about £12m.

Hillsdown claims that the European expansion serves three functions. It is a source of attractive businesses; offers greater distribution possibilities, particularly in Germany and Holland; and provides additional sourcing for its UK operations. Yesterday, the company said it was also looking at a number of possibilities in Germany.

Competition cuts Mercantile Group loans business

BY DAVID BARCHARD

PRE-TAX profits of the newly reorganised Mercantile Group, the finance house subsidiary of Barclays, fell to £84.5m last year, £800,000 down on 1986.

Turnover of the group, which has assets of more than £5bn, fell from £2.9bn to £2.8bn. The profits decline resulted mainly from financing operations, where profits dropped by £10.5m to £66.3m. However, profits from retailing and hiring of road and rail vehicles increased sharply from £8.5m to £18.2m.

Mr Stuart Errington, chairman, said that he did not regard the results as disappointing. They came in a year of corporate restructuring in which a new holding company, Mercantile Group, was set up to co-ordinate the activities of Mercantile Credit, Barclays Mercantile Business Finance, and Mercantile Services.

He pointed out that Mercantile Group was not engaged in several fast-growing sectors of the financial services market including loans, credit card business and factoring.

Mercantile Group had also been hit by new competition in its traditional activities of offering loans for vehicle hire and purchase and in personal loans. In the vehicle loans market, Mercantile had faced competition from credits made available by manufacturers, while the advent of building societies in the personal loans business had cut into its market share in that sector.

Mr Errington said that by having three separate operating units, the group would now be able to take a more focused approach to its principal markets and be able to respond to changes in them.

In the personal loans market, Mr Errington said that he believed it was necessary to set up a centralised credit register which would contain information on all cases of default and on all sources of credit extended to a borrower, and their current status. He said that multiple borrowing was the chief factor behind most defaults.

Bunzl to go ahead with tender offer for Seal

BY MAGGIE URRY

Bunzl, the paper and packaging group, is going ahead with the proposed tender offer for Seal, a US supplier of laminating and mounting products for the photographic industry.

Last week Bunzl announced that it had taken an option covering 54 per cent of Seal's shares at $12 per share, valuing the whole of Seal at $29m (£16.4m). It said then that an offer for the whole company would follow due diligence investigations.

Mr James White, Bunzl managing director, said yesterday: "We were pretty sure we would go ahead with the deal. We have known Seal for some time and have been negotiating with them since last summer." He added that the fall in the stock market since October had reduced the price.

Seal made profits in the year to October 1987 of $5.5m, suggesting an historic exit p/e of under 10. At the same date net assets were about $11m. The offer is likely to go through by early April. Over the next 18 months the business of Seal and Bunzl's own coated supplies business will be integrated.

Mr White said that Bunzl had spent around £300m on acquiring roughly 50 companies over the last two years. These were either specialist manufacturing businesses with high margins or distribution and service companies which gave Bunzl a strong position in fragmented markets.

E&A £2.87m expansion

Estates & Agency Holdings has conditionally agreed to acquire Barking Industrial Properties and Rosedimond Investments, both property investment companies, from Rosedimond Holdings.

Consideration for both companies will be £2.87m – to be satisfied by the issue of £1.62m of 7½ per cent convertible unsecured loan stock, convertible into ordinary shares at 270p a share between 1988 and 2003, and £1.25m of 12 per cent unsecured loan stock redeemable at par in 2003.

Finance for the acquisitions will be provided by a medium-term loan of £7m, repayable in 1991, to be made available by Samuel Montagu.

Birmingham Mint

Birmingham Mint Group has acquired Green Duck Corporation, US maker of coins and tokens for the gaming and collector markets as well as speciality products for corporate clients.

Consideration was around $3.2m cash (£1.8m). Further payment up to $500,000 depends on profits achieved.

Green Duck's profits for the year to end-August 1987 totalled some $563,000 before tax on sales of $4.9m.

Britannia Security US purchase

Britannia Security, the fast-growing business services group, has strengthened its US activities by adding a further data storage company to its existing Leahy Business Archives operation.

The group is buying Boston-based Instar for $5.5m (£3.1m) cash. Instar has estimated assets of $4.35m and had operating income of $214,000 in 1987. The vendors have warranted sales for 1988 of not less than $3.5m.

Britannia said it would integrate Instar with Leahy resulting in "considerable cost savings".

CRH purchases

CRH has paid a total of I£4.9m (£4.36m), including debt and net cash acquired, for two companies. Book value of the assets acquired was I£3.7m. The purchases were Netherlands-based Van Campen, a privately-owned specialist in plumbing, sanitary ware and central heating components, and British-based Wath Concrete Products, maker of dense concrete masonry.

COMPANY NEWS IN BRIEF

QUADRANT GROUP has exchanged contracts to acquire fixed assets, stocks, debtors and goodwill of estate agency business comprising part of Speedy Photos processing centres. Consideration via allotment of 405,000 new ordinary shares valued at some £620,000 at current market price. Speedy supplies film developing and processing services to around 400 estate agencies in Avon and surrounding counties.

LAIRD GROUP has acquired Lancashire-based GKN Crompton, a subsidiary of GKN. The price is based on the company's net assets, estimated to be £2.5m, plus a premium of £100,000 paid in cash. In 1987 Crompton made profits, before interest, tax and GKN charges, of £324,000 on sales of a little less than £8m.

LOCAL LONDON Group has acquired Nationwide Storage for £4.5m, to be met from the company's own cash resources.

FINLAN GROUP has sold its commercial development in Drury Lane/Parker Street, central London, to Hill Samuel Life Assurance for £3.95m.

PERSIMMON is buying Archbishop Properties for £1m, to be satisfied by £200,000 cash and the balance by the issue of 775,000 new ordinary. Archbishop is a property holding company and its pre-tax profits for the year ending July 31 1987 were £1,058. Net assets at that date were £2,489.

Fleming Enterprise

Net asset value per ordinary 25p share of Fleming Enterprise Investment Trust at December 31 1987 stood at 125.4p, compared with 166p.

Available earnings for the six months to end-December amounted to £235,000 (£690,000) after tax of £198,000 (£243,000). An unchanged interim dividend of 0.75p is to be paid from earnings per share of 1.34p, against 1.58p previously.

Gross revenue rose 9 per cent from £1.23m to £1.34m. Interest accounted for £361,000 (£228,000) and administration expenses for £245,000 (£199,000).

Evered and Raine in assets swop

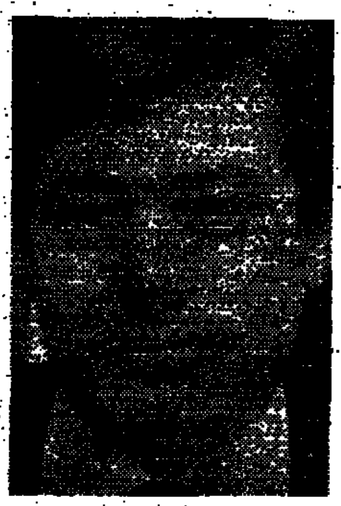
BY NIKKI TAIT

Evered Holdings, the industrial holding company headed by the Abdullah brothers, and Raine Industries, the housebuilding and contracting group chaired by Mr Nigel Rudd, yesterday announced that they are swopping their respective housebuilding and quarrying interests.

Both businesses were acquired as a result of recent takeovers – Evered's housebuilding side came in through the £100m bid for London and Northern last year, and Raine's quarrying companies from a £61m offer for Aberdeen Construction just ahead of the market crash.

Of the two deals, Raine's purchase of Evered's housebuilding companies is marginally larger. Raine is paying a cash consideration of £3.3m and assuming £14.5m of debt. Evered is also retaining a dividend of £10m. The companies involved – which include Fletcher Builders Midlands, Border Homes, Anglo Gaelic Construction, Trustcare and A. Farquhar Builders – made around £2m before tax in 1987 and have net assets (after the dividend to Evered) of some £3.3m.

In the reverse direction, Evered is paying £15.7m cash for the John Fyfe quarry, sand and



Osman Abdullah (left), chief executive of Evered, and Nigel Rudd, chairman of Raine: disposal programmes substantially complete.

gravel business and four subsidiaries, together with the civil engineering, black-top manufacturing and quarry interests of Hall & Tawse Construction. The operating interests take in 12 quarries, eight sand and gravel pits and 11 ready-mix concrete plants as well as brick and architectural stone businesses; the bulk of which are in the Aberdeen area. Raine is retaining an £8m dividend, and the companies come clean of debt. Assets of the two companies totalled £7m at end-1987 (again net of the dividend) and pre-tax profits last year were £1.5m.

Evered conceded yesterday that the deal looked slightly dilutive, but said that the quarry businesses had suffered various disruptions during 1987. Evered's current intention is to build up its quarry interests and it hoped to have half of group profits from this source by the end of this year. The L and N bid brought in US subsidiary Rockville, which produces around 3m tonnes of aggregate plus 1m tonnes of sand and gravel, as well as UK operations which handle around 2.5m tonnes of aggregate.

Raine, meanwhile, will effectively double its housebuilding operations as a result of the deal. The L and N operations put up 800-1,000 homes a year, compared with Raine's 900 last year. According to Raine, the operations – ranging from the Midlands to the north-west and north-east – will complement existing interests geographically. Evered, by contrast, argued that the relatively short land bank – under two years overall – would have necessitated substantial investment had the division remained within the group.

Both companies said that disposal programmes following their respective acquisitions was now substantially complete. Shares in Evered gained 7p to 125p yesterday while Raine improved 2p to 92p.

Sinclair Goldsmith profit doubled midway

Taxable profits of Sinclair Goldsmith Holdings, surveyor, estate agent and rating consultancy, more than doubled to £580,000 in the six months to end-November, on turnover ahead by 40 per cent from £1.24m to £1.74m.

The group, which came to the Stock Market in February 1987, announced a maiden interim dividend of 0.8p. In the year to end-May 1987 a single dividend of 0.75p was paid.

Mr Edward Langton, chairman, said that despite recent rationalisation in the City, the group continued to trade well and its City office continued to do significant business. It was currently being instructed on more than 30 developments with considerable letting interest shown.

The professional side of the business had benefited from increasing numbers of valuation and rent review instructions received.

After tax of £214,000 (£108,000), earnings per 10p share worked through 82 per cent higher at 3.17p (1.74p).

SHARE STAKES

Changes in share stakes announced during the past week include:

A.F.Bulgin: Mr C.J.Slim has bought a further 13,000 shares and now holds 136,000 (6.9 per cent).

Pathfinders Group: The number of shares being given to employees by Mr Stephen Worth, chairman, has been changed to 256,250 leaving his holding at 15.08m shares (63.19 per cent).

Goode Durrant: Following purchases on February 18 at 122p a share Devon Associates, which is controlled by Waring family trusts, has raised its interest from 11.45 per cent to 12.05 per cent or 5.89m shares.

Baldwin: Mr D.A.Landau, chairman, bought 50,000 shares at 86p on February 23 taking his holding to 540,000 (7.4 per cent).

Baillie Gifford Technology: The holding by British & Empire Securities and General Trust now represents 17.8 per cent.

Continental & Industrial Trust: Following market purchases Transatlantic Holdings has increased its stake from 40.87 per cent to 41.06 per cent.

Abbey: Matthew Investments, subsidiary of Gallagher Holdings, bought 601,550 shares on February 19 at 178p taking the holding of Matthew in Gallagher to 11.04m (28.5 per cent).

BUILDING CONTRACTS

Frimley Business Park project

SIR ROBERT MCALPINE AND & SONS has been awarded a £6.1m contract by Arlington Property Services for the construction of phase 4 of Frimley Business Park, Surrey. The contract covers the construction of three blocks, two or three storeys high. They will provide a total of 9290 sq metres gross floor area of office/light industrial units. Two double-tier car parks are also included. The buildings will be of reinforced concrete frame construction with part brick and part curtain walling finish. The contract includes the installation of lifts and all necessary services, together with associated infrastructure and landscaping. The project is programmed for completion in November 1988.

£8m office renovation

MCLAUGHLIN & HARVEY has won contracts totalling £11.4m. The largest is for the refurbishment and recladding of Stephenson House, Hampstead Road, London NW1, for Southend Property Holdings and is worth in the region of £8m. The works comprise removal and renewal of the cladding and roof coverings, and refurbishment to provide office and toilet accommodation from the first to the sixth floor levels. Included is a new heating system, air conditioning and lift and electrical services. The contract period is 56 weeks. The building has been pre-let to Logica.

Work, worth about £1.8m, has started on the reconstruction of 51 Lincolns Inn Fields, London WC2 for Town & City Properties (Development), to provide an air-conditioned office block with an area of around 1450 sq metres. The contract period is 56 weeks.

Work is underway on a single-storey warehouse extension for Thorn EMI Properties, at Romford, Essex. The contract is worth about £4m and is to be completed in 34 weeks.

Improving facilities at Birmingham School

TURRIFF CONSTRUCTION has been awarded contracts worth over £13m. The construction division has won a £1.8m contract from Satman Developments (Birmingham) for Birmingham City council for the extension to the Kingsbury School at Erdington comprising construction of a two-storey craft, design and technology block and an art block, together with a single-storey sports hall and changing rooms. The school will remain operational throughout the contract.

Another contract, worth £1.1m, has been awarded by Buckinghamshire County Council for a fire station and divisional offices at Great Holm, Milton Keynes.

The Home Office has awarded a £1m contract for a works unit and an education unit at the correction centre at Hatfield near Doncaster.

Both the Turriff construction and building divisions have won contracts from the City of Bradford Metropolitan Council. The construction division has started a £1.3m contract for a traditional single and two-storey elderly persons' home and day centre in Bradford, while the building division's £2m plus contract is for the modernisation of 109 homes at Little Horton, Bradford.

Other awards to the building division include a £1.5m contract at Walsall for the Borough Council, for the modernisation of 124 houses, whilst the tenants are still in occupation.

Good start for Shand

SHAND has been awarded contracts totalling nearly £8m in the first two months of '88.

They include awards for the £2.06m construction of Sections 5A and 5B main works of the Black Country route; and the design and construction of a two-storey office block with extensions and alterations to a warehouse for TNT, worth £1.8m.

In the North East an off-site sewer project for the Borough of Sunderland started in January, as did work in the North West on a £1m fire precautions contract for the CEGB.

In the Midlands, the company is starting work on building a Berni restaurant and car park at the Castle Marina, Nottingham.

Shand also has contracts for indoor tennis centres in each of these three regions, under its accreditation to the Indoor Tennis Initiative, which together are worth £1.6m.

New Asda superstore building at Morley

RUSH & TOMKINS is building a 95,000 sq ft ASDA superstore at Morley, near Leeds, on a site adjoining one of ASDA's earliest stores. The contract is worth £6.3m, and the new building is due to be handed over in October, when the old store will be demolished.

The store is of steel-frame construction, clad in brick with slate mansard roofs. There are glazed features at the front entrance, where a transparent walkway leads into the store from the carpark, and at the rear where the staff restaurant forms a glass box on the upper level of a two-storey administration block. The site of the present store will be used for a carpark and petrol filling station.

Rush & Tomkins is also building an 84-bed ward block at Torbay Hospital, Torquay. The £2m extension, due for completion by July 1989, will be linked to the geriatric unit.

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HIGGS AND HILL BUILDING is also working on a £5.7m "design and construct" headquarters for Croner Publications in Kingston upon Thames, Surrey. The development comprises a three-storey T-shaped office block creating 3000 sq metres of multipurpose office space as well as over 2000 sq metres of production facilities. Over 80 car parking spaces will be located in an extensive basement which will also house the major elements of mechanical plant. The office will be clad in russet facing brick with darker feature band courses. The ground floor will have a fully-glazed double-storey height reception area.

TV-am stake attracts investors

BY RAYMOND SNODDY

A GROWING number of investors are showing interest in acquiring the 14.9 per cent stake in TV-am, the commercial breakfast television station, held by Beaverbrook Investments.

The increase in the number of potential purchasers follows last week's events when Mr Jonathan Aitken, the Conservative MP, resigned as a director of TV-am and his cousin Mr Timothy Aitken stood down as chairman.

"The situation is fluid," one of those close to the negotiations said yesterday.

After a board meeting last week, TV-am made it clear that Al-Bilad, the Saudi investment company which now controls Beaverbrook Investments, was prepared to sell its entire stake in Beaverbrook, not just its holding in TV-am.

Last week there were two potential buyers for Beaverbrook, Henry Ansbacher, the UK merchant bank, and Prudential Bache acting on behalf of Quantum, an offshore investment fund which already owns around 7 per cent of TV-am.

Mr Peter de Savary, who runs Land Leisure, a company which owns casinos and Land's End, is said to have expressed an interest in the TV-am stake. It is believed that Mr de Savary had so far not made any expression of interest either to Al-Bilad or Ansbacher. Mr de Savary could not be contacted last night.

COMMODITIES AND AGRICULTURE

Analysts expect further rise in nickel market

BY KENNETH GOODING, MINING CORRESPONDENT

NICKEL PRICES, already at a record level on the London Metal Exchange, will continue to rise sharply because the metal is in very short supply, analysts suggested yesterday.

The extreme tightness of supply, particularly ofmetal available to the LME, was underlined by news that nickel stocks in the Exchange's warehouses fell by 782 tonnes to 1,992 tonnes last week – the lowest point since mid-September, 1982.

The LME may today make a temporary change to its nickel contract specification to ease the shortage by allowing the delivery of full plate nickel as well as pellets, briquettes or cathodes cut to specified sizes.

This would shorten the fairly lengthy procedure of cutting and drumming cathodes which then have to be re-inspected on arrival at LME warehouses.

Events on the LME on Friday when the price for cash metal was chased up to $15,000 a tonne, equivalent to $6.80 a lb – a rise of 40 per cent in one day – "suggest that there is a dislocation in supply and the metal might not be available," said Mr John Harris, an analyst with London-based metal traders Rudolf Wolff.

He said a very rough and ready guide to world stocks of nickel suggested that there was about 75,000 tonnes in producers' hands, 5,000 with US consumers and merchants and 3,000 in West Germany, leaving only 5,000 tonnes for everybody else, including the Japanese.

"So there is the potential for prices to go much higher on the LME. It could turn into an auction."

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes		
Aluminium standard	-2,275	to 21,550
Aluminium high grade	+9,825	to 34,300
Copper	+4,825	to 80,350
Lead	+1,800	to 21,000
Nickel	-782	to 1,992
Zinc	1,875	to 38,375
Tin	-30	to 19,135
Silver (oz).	+48,000	to 19,808,000

Mr Neil Buxton, an analyst with Shearson Lehman Brothers London Metals Research Unit, like Mr Harris, dismissed the suggestion that manipulation was responsible for the jump in LME nickel prices. "I think it is a genuine tightness of supply which has got out of hand," he said.

"And people can't see where the extra metal is to come from. There are no significant new projects or expansion in capacity."

He suggested that the price for nickel to be delivered in three months "has more to go and $4.50 is plausible."

After the news of the fall in LME stocks yesterday the three-month price reached $4.10 a lb, equalling the record set last December and a rise of 18 cents from Friday's closing price.

Mr Don Morley, finance and administration director of Australia's Western Mining Corporation, said nickel producers would need evidence that the high prices were going to last for two years or so before beginning the work to re-open capacity. "I don't think producers necessarily believe it is going to stay high for a couple of years", he added.

While analysts applauded the LME's decision yesterday virtually to double the margins on nickel contracts – seen as a move to encourage traders to liquidate their positions – they questioned whether other moves would prove effective.

In particular, they pointed to the LME's decision temporarily to waive the responsibility of holders of short positions from having to deliver metal to Exchange warehouses on maturity of those positions and instead pay a penalty of $150 a day until they are able to make delivery.

This would be likely to put off those organisations which had nickel to lend because they might not get it back.

Producers raise European zinc prices

BY KENNETH GOODING

SOME MAJOR zinc producers put up their European prices from $890 a tonne to $920 yesterday and caused a split of opinion about whether the new level would hold.

Electrolytic Zinc of Australasia, the North Broken Hill subsidiary, led the way and was quickly followed by Spain's largest producer, Asturiana de Zinc.

Mr John Harris of London metal traders Rudolf Wolff suggested "this is a well-timed move by the producers in line with the market fundamentals – the market is very healthy".

However, Mr Neil Buxton, an analyst with Shearson Lehman's London Metals Research Unit, said he believed the increase would be short-lived.

He pointed out that Metallgesellschaft, the West German group which has a major influence on the market, said yesterday it had no immediate intention of considering a price increase.

The European producers last put up zinc prices by $30 a tonne on January 15 and the strong demand from the galvanised steel industry – by far the biggest user, taking about one third of output – has continued since then.

Cocoa price plunges below £1,000

By David Blackwell

COCOA PRICES continued their plunge in both London and New York yesterday as the International Cocoa Organisation (ICCO) opened crisis talks on measures to halt the slide.

The second position futures contract fell below the £1,000 a tonne level, closing at £997 a tonne – the lowest level for well over five years.

The fall of £13 a tonne yesterday followed a decline of £57 a tonne during last week, when fresh purchases lifted the Organisation's buffer stock to 250,000 tonnes – the maximum permitted under the International Cocoa Agreement.

Delegates from producing and consuming countries are meeting in London for the next two weeks to discuss further measures that can be taken to support prices, and to revise the level of prices that should be supported.

The main new support measure likely to be adopted is a "withholding scheme" which could take as much as another 120,000 tonnes off the market. However, traders have been talking of a surplus of 120,000 tonnes of cocoa for the current crop year alone, which would bring total world stocks up to 750,000 tonnes – equivalent to 4½ months' consumption.

The ICCO meeting will also be looking at its finances. The two biggest producers – The Ivory Coast and Brazil – together owe the organisation about $35,000 in unpaid levies. Some consumer delegates are concerned that the buffer stock manager will not have sufficient funds to maintain the 250,000 tonnes already in store as well as paying for the storage of a further 120,000 tonnes.

Max Wilkinson examines the problems facing producers

Oil slide may stiffen Opec resolve

THE FALL of oil prices below $15 per barrel last week may have revived uncomfortable memories in the industry of the great collapse of 1985-86, when crude prices tumbled from more than $30 a barrel to $8. But the consensus is that current conditions do not hold the seeds of a comparable price shock.

The market's weakness is the result of overproduction last year by the 13-member Organisation of Petroleum Exporting Countries, combined with an unusually mild winter in consuming areas.

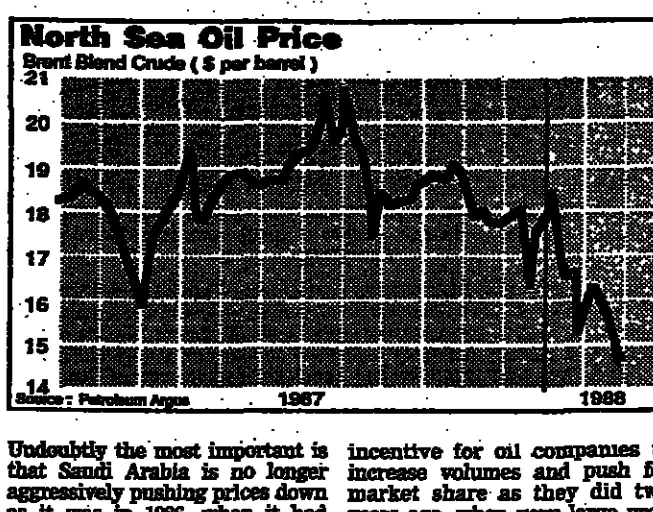
Opec is still clearly having difficulty in holding its production to the self-imposed limit of 15m barrels a day. After adjusting for production from Iraq and the Neutral Zone, which are excluded from the agreed quota, the group's total output should be about 17.7m b/d.

In January its production was indeed held to around 17m b/d, partly because of unusual restraint by the United Arab Emirates and partly because of involuntary cuts by Iran and Saudi Arabia. But this restraint followed the long run of overproduction last year which, combined with the mild European weather of the past few months, had built up large stocks among producers and consumers.

More recently Opec production has appeared to be creeping slowly back up toward the quota level, with widespread, though relatively controlled, discounting from the official price structure, which is still based on $18 a barrel. As in 1986, producers are competing against each other to secure their own share of the available volume. The fall of spot market prices from between $16 and $17 per barrel in January to under $15 last week reflects the trend of deals reported between Opec producers and the major oil companies.

The unambiguous lesson of 1986 was that no individual producer can gain from this process. Each price cut by one group of producers increases the incentive for others to recoup lost revenues by increasing output – and this can only be done by a further wave of discounts.

Whether this collective lesson has been learned or not, several factors this year are restraining the market's pessimism.



Undoubtly the most important is that Saudi Arabia is no longer aggressively pushing prices down as it was in 1986, when it had formally abandoned its role of swing producer and announced that it would rebuild its market share. Some reports suggest that the Saudis have been forced to offer discounts this year, in order to prevent production falling much below 4m b/d. If so, it has been following rather than leading.

The kingdom has been combining a public refusal to resume its former role as Opec's swing producer with considerable stiffness on the price front. As a result its average output of 4m b/d in January was almost 10 per cent below its official quota level, and it appears to have been building up considerable stocks in floating storage.

Another big difference compared with the market in early 1986 is that, with minor exceptions, price discounting has not yet taken the form of netback deals – which tied the price of crude to the market to the price of distilled products, thus giving refiners a guaranteed margin.

Partly as a result, refining margins have been under strong pressure. This has reduced the incentive for oil companies to increase volumes and push for market share as they did two years ago, when very large profits were available to refiners.

One other change is that politicians in the major oil consuming countries – particularly the US – have had time to consider the implications of low oil prices, and find many of them undesirable.

In the US, there is a widespread fear that oil prices much below $15 could threaten exploration and therefore the longer term prospects for indigenous supplies. Similarly a sustained fall below $15 could jeopardise a number of important North Sea projects which were recently rescued by aggressive cost-cutting.

These, and more generalised fears for the energy security of Western nations, would increase pressures for import tariffs or a rise in petroleum taxes if the price of crude was thought to have moved into a period of sustained weakness.

In this case, lower crude prices would be reflected not in lower prices to consumers but in higher taxes or profits to Western nations. Opec countries must be aware that any such transfer of economic rent from their low cost oil would be difficult to reverse.

For these reasons, and because most Opec countries desperately need more oil revenue, the collective wisdom in the markets is that the producers' resolve will stiffen fairly rapidly below about $15 per barrel. This view may be reinforced by the fact that the fall in the dollar's value has compounded the weakening in prices for countries other than the US.

In non-dollar terms, the price of crude is now only about 40 per cent of its value at the begining of 1986. If inflation is also taken into account, the real price of crude to countries outside the dollar area is now fairly close to its nadir in 1986. Some calculations of this sort may have been behind the extraordinary squeeze on the Brent crude market last month when 42 cargoes – worth some $378m at present prices – were cornered by a single trader.

The oil industry assumes that a group of Gulf producers must have been behind a move of that size, and that they must have believed they knew something not known to the rest of the world. Most of this oil is still in tankers, so the question remains: did they know something? Or was it just a spectacular mistake by people who thought the market could be hustled out of its perception of an underlying imbalance between supply and demand?

● Egypt has cut the price of its crude oil by $1 a barrel, Reuter reports from Cairo. The benchmark Suez and Ras Bakar blends will now cost $14 a barrel and lower grades of Balayim, Badran and Ras Gharib $13.15, $12.65 and $12.05 a barrel respectively.

Sri Lanka imports rice

BY MERVYN DE SILVA IN COLOMBO

A DROP in paddy production last year, caused mainly by prolonged drought and the Tamil insurgency in the Eastern Province, has forced the Sri Lankan Government to buy 80,000 tonnes of rice from China and Pakistan.

"We have to keep buffer stocks higher than expected because the Government has the new problem of feeding Tamil, Sinhalese and Muslim refugees who have fled the strife-torn areas," a Food Ministry official explained.

Sri Lanka achieved self-sufficiency in rice with production of 2.7m tonnes in 1985 but total output fell in the next two years. The average yield per hectare has risen steadily, however, from 3,000 kg in 1984 to 3,497 kg in 1986. Last year's figure is estimated at more than 4,000 kg per hectare, the official said.

The paddy-growing areas of the north and east were the worst affected by the civil war while the Southern Province was also hit by drought. In addition the Paddy Marketing Board faced serious problems of collection and transport from the war-torn districts.

Sri Lanka paid US$256 (£145) per tonne for the Chinese rice, well below the prevailing world market level of $270 to $275. It purchased 40,000 tonnes from the Chinese and the same from Pakistan, a major buyer of Sri Lankan tea, at a price below the current Bangkok market level, the official said.

Kuala Lumpur exchange plans to revamp futures markets

BY WONG SULONG IN KUALA LUMPUR

THE KUALA Lumpur Commodities Exchange has announced a major revamp to its tin, rubber and palm kernel oil contracts aimed at injecting new life to these futures markets.

Currently, the exchange deals in five futures contracts – crude palm oil, palm kernel oil, tin, RSS No 1 rubber and SMR 20 rubber – but only the CPO futures are doing well, with daily turnover exceeding 1,000 lots in recent months.

The tin contract, introduced last October, had been trading at around 120 lots daily, instead of 300 lots as anticipated by the exchange, while there has been virtually no activity on the rubber and palm kernel oil contracts since they were introduced.

Traders say the absence of activity on these futures, particularly for rubber, has been a deep embarrassment to the exchange and the Government. Malaysia wants the KLCE to be an international commodity market befitting the country's position as the world's biggest exporter of rubber, tin and palm oil.

Mr Syed Jabbar Shahabudin, the exchange's chief executive, said it had decided to increase the size of the tin contract from one tonne to five tonnes to reduce the cost of trading, one of the major complaints of overseas traders.

He said the exchange was always responsive to views of overseas traders, pointing out that the tin contract wasdesignated in US currency to attract international interest.

KLCE tin traders say apart from the high commission charges, other reasons for the lack of interest in the trade are the huge overhang in the world market, the lack of price volatility, and the preference of Indonesian and Thai producers to sell direct to consumers.

However, the exchange's tin price has been accepted by the industry as a reference point.

Mr Syed Jabbar said the KLCE would be sending a promotion mission to London and New York later this month to familiarise traders with the tin contract.

The London Metal exchange is reported to be keen to restart its tin-trading, and the KLCE welcomes the move as it would complement its own market and provide arbitrage opportunities. Mr Syed Jabbar pointed out that the second trading session for tin on the exchange ends at 6 pm, which would provide a 90 minute overlap once the LME resumed tin trading. The five tonne lot, to be introduced once Government approval is obtained, would also coincide with the proposed LME contract size.

Tan Sri Lee Boon Chim, the KLCE chairman also announced over the weekend that with effect from March 1 the exchange would allow rubber traders to make markets in their offices by giving firm quotes to clients.

However, such transactions must subsequently be replaced by a contract executed on the floor. The guarantee will take effect immediately after the trade has been executed on the floor and registered with the clearing house.

Traders say the concession is a compromise by the KLCE, which has seen the rubber trade shifted to Singapore and to illegal brokers since the exchange introduced the open cry system for rubber future five years ago.

Malaysian traders say the open cry system has not been popular with local speculators, who prefer the "whispering" system still used by the Rubber association of Singapore. However, a major default last year has shaken confidence in the Singapore rubber market.

Local speculators also prefer to trade in smaller lots offer by illegal brokers, known in the trade as "five tonners".

In response to this, the KLCE has decided to reduce the contract size of its rubber contract to 10 tonnes. Previously, the contract size for RSS No 1 was 25 tonnes and 20 tonnes for smr 20.

Tan Sri Lee said he was confident the changes would bring a revival in rubber trading on the KLCE.

Under the hybrid system, a broker is permitted to use his own funds to meet the initial and variation margin liabilities of his clients, but he may only do so out of his funds which are in excess of the minimum net tangible assets requirements of the KLCE.

Mr Syed Jabbar said the KLCE planned to allow trading by "locals" (individual who trade on their own accounts) before June, and a cocoa futures contract before the end of the year to provide liquidity and broaden the market.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD PRICES fell sharply in London yesterday morning on selling by producers and Middle Eastern merchants, touching $423 an ounce. Despite a later rally to $428, fuelled by profit-taking by dealers short of the metal, prices drifted down again, and the bullion market finally closed at $425 an ounce. Dealers said sentiment remained bearish, with supply outstripping demand. Silver prices recovered from an early 11-month low, but the bullion price still closed 9 cents down at 613 cents an ounce. Good underlying support in the 600/605 cents range could be tested if gold comes under further pressure, dealers said. On the London Metal Exchange both copper and aluminium prices retreated as warehouse stocks rose. Copper came under renewed pressure from stale-bull liquidation, while aluminium prices are expected to suffer a technical reaction from recent sharp gains, dealers said.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.16-6.20y	+0.08
Brent Blend	$14.75-4.80z	+0.05
W.T.I.(1 pm est)	$16.10-6.15y	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$173-175	
Gas Oil (Soviet)	$131-132	+3.50
Heavy Fuel Oil	$68-70	
Naphtha	$145-147	-0.50
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$426	-7.00
Silver (per troy oz)♣	613c	-9.00
Platinum (per troy oz)	$453.50	-2.75
Palladium (per troy oz)	$118.00	-0.75
Aluminium (free market)	$2345	
Copper (US Producer)	103½-05¼c	
Lead (US Producer)	35.50c	
Nickel (free market)	550c	
Tin (European free market)	£3885	-2.50
Tin (Kuala Lumpur market)	17.48r	+0.08
Tin (New York)	320.50c	+1.75
Zinc (Euro. Prod. Price)	$890	
Zinc (US Prime Western)	45.375c	
Cattle (live weight)†	107.83p	+0.89*
Sheep (dead weight)†	158.74p	+9.71*
Pigs (live weight)†	66.20p	-0.24*
London daily sugar (raw)	$205.00x	+0.40
London daily sugar (white)	$225.00x	+3.00
Tate and Lyle export price	£222.00	
Barley (English feed)	£109.00z	
Maize (US No. 3 yellow)	£135.50z	
Wheat (US Dark Northern)	£98.50z	-0.50
Rubber (spot)♥	63.50p	+0.25
Rubber (Apr) ♥	67.50p	+0.50
Rubber (May) ♥	67.25p	+0.25
Rubber (KL RSS No 1 Mar)	288.00m	+1.50
Coconut oil (Philippines)§	$545.00s	
Palm Oil (Malaysian)§	$395.00s	+2.50
Copra (Philippines)§	$365.00z	
Soyabeans (US)	£156.50z	
Cotton "A" index	66.45c	+0.10
Woolfops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. z-Mar. u-Apr/May. x-Mar/Apr. y-Apr t-Apr/Jun. s-May/Jun.† Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne	Close	Previous	High/Low
Mar	989	982	992 986
May	997	1010	1006 991
Jly	1017	1029	1026 1012
Sep	1035	1052	1047 1032
Dec	1062	1079	1074 1059
Mar	1090	1108	1102 1088
May	1110	1122	1125 1110

Turnover:6123 (6720) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for February 29: 1260.06 (1278.94) .10 day average for March 1 : 1318.54 (1324.60).

COFFEE £/tonne	Close	Previous	High/Low
Mar	1201	1228	1220 1201
May	1237	1258	1250 1232
Jly	1262	1279	1270 1256
Sep	1280	1299	1290 1275
Nov	1305	1324	1310 1300
Jan	1328	1348	1333 1324
Mar	1350	1368	

Turnover: 6663 (5315) lots of 5 tonnes
ICO indicator prices (US cents per pound) for February 26: Comp. daily 1979 121.53 (122.40); 15 day average 121.83 (121.57).

SUGAR $ per tonne			
Raw	Close	Previous	High/Low
May	178.00	176.00	178.20 176.00
Aug	178.00	176.00	178.00 176.60
Oct	178.00	175.80	177.80 176.00
Dec	178.00	176.00	
Mar	181.00	178.60	181.00 180.60
May	184.00	181.00	180.00
White	Close	Previous	High/Low
May	223.50	221.00	225.00 222.00
Aug	224.50	222.00	225.00 224.00
Oct	224.50	222.00	224.80 222.70
Dec	224.00	222.00	
Mar	225.20	223.00	227.00
May	225.00	224.40	

Turnover: Raw 4789 (12760) lots of 50 tonnes; White 932 (905) .
Paris- White (FFr per tonne): May 1278, Aug 1295, Oct 1290, Dec 1290, Mar 1317, May 1326

GAS OIL $/tonne	Close	Previous	High/Low
Mar	130.00	128.00	130.00 128.25
Apr	129.50	127.75	128.50 127.50
May	129.25	127.00	129.25 126.50
Jun	130.75	126.50	130.75 128.00
Jul	130.00	128.50	130.00 129.00
Aug	130.00		130.00

Turnover: 3756 (6597) lots of 100 tonnes

GRAINS £/tonne			
Wheat	Close	Previous	High/Low
Mar	105.25	104.75	105.25 104.75
May	108.50	107.90	108.50 107.90
Jly	111.50	110.90	111.50 111.10
Sep	101.60	101.50	101.60
Nov	103.60	103.40	
Jan	106.00	105.85	
Mar	108.10	108.00	
Barley	Close	Previous	High/Low
Mar	104.10	104.20	104.10
May	106.60	106.65	107.00 106.50
Sep	98.10	97.60	98.00
Nov	100.70	100.40	
Jan	102.70	102.40	
Mar	105.00	104.75	

Turnover: Wheat 167 (151) , Barley 37 (48) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

[illegible]

POTATOES £/tonne

[illegible]

SOYABEAN MEAL £/tonne

[illegible]

FREIGHT FUTURES $10/index point

[illegible]

LONDON BULLION MARKET

[illegible]

TEA

There were 27,594 packages on offer in this weeks sale, including 3,000 in the offshore section, reports the Tea Brokers' Association. Colory Assams met improved demand and were often 4-8p dearer while lesser mediums were irregular, with plainest tending easier. Clean, colory Bangladesh teas were often 4-8p higher but others lost 2-5p. Best flavouring Africans opened irregular and often easier but closed steady. After a hesitant start, mediums ruled firm to dearer except dusts and plainest which lost ground. Ceylons were in demand for good competition at firm to dearer rates. Quotations: quality (nil) medium 118p (118p) low medium 68p (68p)

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

US MARKETS

PRECIOUS METALS rallied on the close, reports Drexel Burnham Lambert. Trading throughout the day was choppy. Gold prices fell 5 dollars in the early session on commission house selling. Silver also weakened early in the day but firmed up on the close. Copper futures gained on technical buying by the trade. Speculative selling in coffee sent prices down over 350 points in the March contract. Sugar prices gained on short covering due to the expiration of the March contract. In the grain markets, soyabeans rallied 8½ cents due to lower than expected deliveries. Orange juice prices fell on commission house and trade selling. In the energy markets, crude prices rallied above the 1600 level due mostly to trade and local buying.

New York

GOLD 100 troy oz.; $/troy oz.

[illegible]

PLATINUM 50 troy oz; $/troy oz.

[illegible]

SILVER 5,000 troy oz; cents/troy oz.

[illegible]

COPPER 25,000 lbs; cents/lbs

[illegible]

COTTON 50,000; cents/lbs

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	16.04	15.78	16.20	15.89
May	15.93	15.71	16.11	15.81
Jun	15.90	15.86	16.05	15.76
Jul	15.84	15.61	15.97	15.71

[illegible]

HEATING OIL 42,000 US galls, cents/US galls

[illegible]

COCOA 10 tonnes;$/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

[illegible]

DOW JONES (Base: December 31 1974 = 100)

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	636/0	625/4	637/0	628/0
May	642/4	634/0	644/0	633/0

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 30,000 lb; cents/lbs

[illegible]

PORK BELLIES 38,000 lbs; cents/lb

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound shrugs off trade figures

STERLING FINISHED virtually unchanged in spite of disappointing January UK trade figures. The pound was very quiet and steady, ahead of the trade announcement, but then weakened on news the visible deficit was a record £1.51bn, with the current account deficit at £905m.

The City generally expected a visible trade deficit of around £1bn, and a current account shortfall of £400m. The more hopeful forecasts were for a current account deficit of only £300m, and the result therefore sent economists looking for a reason for the very high figures.

After holding steady at $1.7735 throughout the early morning, sterling fell to a low of $1.7670 on the trade news. It also retreated against the D-Mark, but then recovered as the market pondered on distortions caused by changes to customs documentation procedure.

This led to some conflicting views of the overall picture. Morgan Grenfell has forecast a UK current account deficit of £7bn this year, which is much higher than most City forecasts.

Mr Steven Bell, chief economist at Morgan Grenfell, claimed the January deficit tended to underline this figure, but at the same time there is probably little to worry about. He believes the high level of British overseas assets should provide sufficient revenue to fund any foreseeable deficit in the coming years. Mr Bell added that the expected decline in the volume of UK imports had not materialised in January, and that exports fell.

Mr Stephen Hannah, economist at County NatWest pointed out the very large drop in exports to the European Community. He believes the change in customs procedure may be the answer, but admitted there was no official confirmation of this. He also suggested it may take two or three months to find out whether there is a distortion, but finds it hard to accept the fall in exports to the EC could be so great, without an exceptional factor.

Mr Hannah said that apart from probable distortions the market took heart from favourable adjustments to earlier figures, with the December current account deficit revised down to £410m from £582m.

Sterling closed unchanged at $1.7730-1.7740 and DM2.9925. The pound rose to FFr10.14 from FFr10.1325; to SFr2.4675 from SFr2.46; and to Y227.75 from Y227.25.

On Bank of England figures sterling's exchange rate index finished unchanged at 74.7.

The dollar was very quiet and steady, lacking fresh factors to move the market. It rose to DM1.6880 from DM1.6870; to FFr5.7175 from FFr5.7125; to SFr1.3915 from SFr1.3870; and to Y128.35 from Y128.15. The dollar's exchange rate index was unchanged at 94.5.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.85. January average 127.77. Exchange rate index 240.4 against 223.9 six months ago.

The yen was little changed against the dollar, after trading in tight range in Tokyo. Sentiment surrounding the US currency remained bearish, but dealers feared central bank intervention if the dollar was pushed down sharply towards the Y127 level. The dollar closed at Y128.10, compared with Y128.35 on Friday.

Mr Satoshi Sumita, governor of the Bank of Japan, praised the US Federal Reserve's cautious monetary policy, and said he thinks stock and foreign exchange markets are becoming more stable. A senior Bank of Japan official said he sees no change in the bank's monetary policy for at least six months.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1585	+1.65	+0.87	±1.5344
Danish Krone	7.85212	7.89169	+0.50	-0.28	±1.5404
German D-Mark	2.05853	2.06544	+0.34	-0.44	±1.0981
French Franc	6.90403	6.99375	+1.30	+0.52	±1.3674
Dutch Guilder	2.31943	2.31885	-0.03	+0.81	±1.5012
Irish Punt	0.768411	0.775191	+0.88	+0.10	±1.6684
Italian Lira	1483.58	1522.21	+2.60	+2.27	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.29	Latest	Previous Close
£ Spot	1.7735-1.7745	1.7655-1.7665
1 month	0.39-0.37pm	0.37-0.35pm
3 months	1.14-1.10pm	1.07-1.04pm
12 months	4.25-4.15pm	4.05-3.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb 29	Previous
8.30 am	74.7	74.7
9.00 am	74.7	74.7
10.00 am	74.7	74.7
11.00 am	74.7	74.6
Noon	74.6	74.6
1.00 pm	74.6	74.7
2.00 pm	74.6	74.7
3.00 pm	74.6	74.6
4.00 pm	74.7	74.7

CURRENCY RATES

Feb.29	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.768363	0.690965
U S Dollar	6	1.36877	1.22418
Canadian $	8.75	1.71892	1.54810
Austrian Sch.	3	16.3469	14.5017
Belgian Franc	6¾	48.0420	43.1585
Danish Krone	7½	8.78377	7.89169
Deutsche Mark	2½	2.29902	2.06544
Neth Guilder	3¾	2.58138	2.31885
French Franc	9½	7.77816	6.99375
Italian Lira	12½	1694.09	1522.21
Japanese Yen	2½	174.859	156.965
Norway Krone	8	8.69668	7.77478
Spanish Peseta	-	155.031	139.375
Swedish Krona	7½	8.14421	7.32612
Swiss Franc	2½	1.89079	1.70839
Greek Drach.	20½	184.248	165.534
Irish Punt	-	N/A	0.775191

*All SDR rates for Feb.26

CURRENCY MOVEMENTS

Feb.29	Bank of England Index	Morgan Guaranty Changes %
Sterling	74.7	-18.7
U.S Dollar	94.5	-12.1
Canadian Dollar	80.0	-7.1
Austrian Schilling	140.4	+10.8
Belgian Franc	100.6	-4.5
Danish Krone	93.6	-2.8
Deutsche Mark	149.2	+22.9
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)

POUND SPOT- FORWARD AGAINST THE POUND

Feb.29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7670-1.7750	1.7730-1.7740	0.39-0.36cpm	2.54	1.14-1.09pm	2.51
Canada	2.2327-2.2445	2.2370-2.2380	0.16-0.06cpm	0.59	0.49-0.37pm	0.77
Netherlands	3.35¼-3.36½	3.35¼-3.36½	1¾-1½cpm	5.58	4¾-4pm	5.13
Belgium	62.32-62.59	62.45-62.55	24-7cpm	2.98	57-38pm	3.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

	£	$
[illegible]	[illegible]	[illegible]
S Af (Cm)	3.6870-3.7020	2.0835-2.0920
S Af (Fn)	4.8480-4.9850	2.7395-2.8170
Taiwan	50.45-50.90	28.55-28.65
U.A.E.	6.5000-6.5060	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

Feb.29	£	$	DM	Yen	F Fr.	S Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.447	0.793	1.337	101.8	4.531	[illegible]
B Fr	1.600	2.838	4.789	364.5	16.22	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilt prices move ahead

GILT PRICES recovered from a brief body blow yesterday, caused by a wider than expected UK trade deficit, to finish at the best level this year in the Liffe market. Most traders were content to dismiss the figures because of distortions caused by a change in documentation.

While values were marked down from an opening price of 121-22 to a low of 121-03, there was persistent demand at the lower levels, caused partly by a current shortage of stock. Consequently the June price, which now attracts most volume, recovered to finish at 122-06, up from Friday's close of 121-13.

The resistance at lower levels also reflected a strong US bond market, and sterling's indifferent reaction to the wider current account deficit. With analysts less than unanimous over the implications of yesterday's data, trading was influenced more by the pound's performance. The latter was unchanged on its index but was close to the DM3.00 level, regarded as its ceiling for the time being.

Three-month sterling deposits were confined to a relatively narrow range. Traders pointed to the lack of movement in cash markets and suggested that there was little incentive to make any long term investment before the Budget on March 15. The March price opened at 90.62 and touched a low of 90.57 before finishing at 90.64, up from 90.61 on Friday.

US Treasury bonds gained much of their strength from a fall in commodity prices, sparked off in US markets last week. A steady dollar and receding fears of inflation enabled buyers to push the March price up to a high of 95-08 from 94-22 at the opening. It closed at 95-00, still up from 94-02 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
104	—	60	—	436
106	—	—	—	—
108	—	—	—	—
110	1214	—	2	—
112	1017	—	5	—
114	824	—	12	—
116	637	—	25	—

Estimated volume total, Calls 3893 Puts 1748
Previous day's open int: Calls 25660 Puts 11799

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
88	632	611	30	109
90	452	451	58	149
92	315	340	113	238
94	203	242	201	340
96	111	156	309	454
98	42	119	440	617
100	23	—	621	—

Estimated volume total, Calls 164 Puts 60
Previous day's open int. Calls 734 Puts 268

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
16000	1622	1915	22	65
16500	1169	1486	69	136
17000	774	1105	174	255
17500	463	784	363	434
18000	247	529	647	679
18500	116	339	1016	989
19000	48	206	1448	1356

Estimated volume total, Calls 5 Puts 0
Previous day's open int. Calls 18 Puts 72

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
160	1730	—	0	—
165	1230	1230	0	8
170	730	730	1	49
175	258	355	48	182
180	30	131	316	458
185	1	35	787	862
190	0	6	1286	1333

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 336 Puts 657

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9225	90	86	0	7
9250	65	65	0	11
9275	41	48	1	19
9300	18	32	3	28
9325	4	20	16	41
9350	1	12	36	58
9375	0	8	60	79

Estimated volume total, Calls 1275 Puts 0
Previous day's open int. Calls 1573 Puts 1471

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8975	89	82	0	9
9000	64	63	0	15
9025	41	45	2	22
9050	19	30	5	32
9075	6	18	17	45
9100	1	11	37	63
9125	0	7	61	84

Estimated volume total, Calls 476 Puts 792
Previous day's open int. Calls 7253 Puts 4453

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	122-09	122-12	121-05	121-15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.7798	0.7808	0.7794	0.7800
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Rates a little higher

THE EFFECTS of a larger than expected UK trade deficit were not fully reflected in the London money market yesterday. While some rates were marked up a shade, others were steady, as traders remained convinced that UK base rates would not be moved until after the Budget, due a fortnight today.

Longer term rates tended to uphold this view, being held in a straight jacket, simply because there was too much uncertainty ahead of the Budget to justify making any long term commitment.

UK clearing bank base lending rate 9 per cent from February 2

Three-month interbank money was quoted at 9 7/16-9 5/16 p.c. compared with 9⅜-9¼ p.c. while the 12-month rate was unchanged at 9 13/16-9 11/16 p.c. Overnight money opened at 9⅛-8⅞ p.c. and eased to a low of 8¾ p.c. before moving up in the afternoon to a high of 10 p.c. Late balances were bid at 9¾ p.c.

The Bank of England forecast a shortage of around £500m with factors affecting the market including, repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £781m and Exchequer transactions a further £130m. These were partly offset by a fall in the note circulation of £390m and banks' balances brought forward £35m above target.

The forecast was revised to a shortage of around £450m and the Bank gave assistance in the morning of £235m, through outright purchases of £28m of eligible bank bills in band 1 and £207m in band 2, all at 8⅞ p.c. Further help in the afternoon came to £84m, through outright purchases of £83m of eligible bank bills in band 1 and £1m in band 4, all at 8⅞ p.c. Late help came to £105m, making a total of £424m.

In Frankfurt the Bundesbank withdrew it three-day Treasury bill facility, as proximity of the month end created sharp fluctuations in short term money rates. Short term bills are usually offered by the authorities at a fixed rate of 3 p.c. as a way of draining excess liquidity. The suspension was just for yesterday.

Call money was quoted between 3.00 p.c. and 3.20 p.c. compared with 3.45-3.55 p.c. on Friday. The fall reflected a return into the system of pension payments made last week.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

LONDON MONEY RATES

[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on Monday, February 29, 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$400	10	34 B	-	-	-	-	$426.40
GOLD C	$420	471	19.50 B	22	30	3	38 B	$426.40
GOLD C	$440	366	10.50	63	22	4	28	$426.40
GOLD C	$460	102	5.50	469	11 B	-	-	$426.40
GOLD C	$480	31	2.50 A	64	7.50	5	13	$426.40
GOLD C	$500	447	1.50	39	4	-	-	$426.40
GOLD C	$520	65	1	-	-	-	-	$426.40
GOLD P	$400	193	4.80	23	9.50	4	12.50 A	$426.40
GOLD P	$420	183	9.50 A	178	13.50	3	17.50 A	$426.40
GOLD P	$440	229	19	9	22 A	-	-	$426.40
GOLD P	$460	276	33	5	34.50	-	-	$426.40
GOLD P	$480	39	54	25	54 A	-	-	$426.40
GOLD P	$500	25	74 A	-	-	-	-	$426.40
		Mch. 88		Apr. 88		May 88		
EOE Index C	Fl. 175	11	19	-	-	-	-	Fl. 193
EOE Index C	Fl. 180	12	14.50	-	-	-	-	Fl. 193
EOE Index C	Fl. 185	21	10	-	-	-	-	Fl. 193
EOE Index C	Fl. 190	144	6.80	26	8.60	6	11	Fl. 193
EOE Index C	Fl. 195	116	3.40	9	6.60	3	8.70	Fl. 193
EOE Index P	Fl. 175	23	0.50	55	2.50	-	-	Fl. 193
EOE Index P	Fl. 180	144	1	23	3.50	-	-	Fl. 193
EOE Index P	Fl. 185	24	2	7	5	5	7.50	Fl. 193
EOE Index P	Fl. 190	47	3	8	6.70	3	9.50	Fl. 193
EOE Index P	Fl. 195	135	5.50	10	8.50	1	12	Fl. 193
S/Fl C	Fl. 185	3	4.50	30	5.20 B	-	-	Fl. 189.55
S/Fl C	Fl. 190	31	1.50	15	2.90	-	-	Fl. 189.55
S/Fl P	Fl. 185	13	0.50	25	1.70	-	-	Fl. 189.55
S/Fl P	Fl. 190	13	2.50	-	-	-	-	Fl. 189.55
		Apr 88		Jul. 88		Oct. 88		
ABN C	Fl. 40	325	1.40	165	2	58	2.50 B	Fl. 39.50
ABN P	Fl. 35	205	0.40	33	1.40	7	2.10	Fl. 39.50
AEGON C	Fl. 70	26	1.30	46	2.50	-	-	Fl. 66.90
AHOLD C	Fl. 75	20	2.50 B	3	4.40	-	-	Fl. 73.10
AHOLD P	Fl. 75	30	3.70	8	6.10	-	-	Fl. 73.10
AKZO C	Fl. 100	1397	6.70	350	8.50	76	10.50	Fl. 102.50
AKZO P	Fl. 100	293	3.40	132	8.20	29	9.60	Fl. 102.50
AMEV C	Fl. 45	158	1.80 B	10	3	-	-	Fl. 44.70
AMEV P	Fl. 40	25	0.70	80	2.10	-	-	Fl. 44.70
AMRO C	Fl. 65	169	1.80	77	2.60	5	3.20	Fl. 63.80
AMRO P	Fl. 70	14	6.50	6	8	-	-	Fl. 63.80
ELSEVIER C	Fl. 50	209	1.70	67	2.70	35	4	Fl. 47.50
ELSEVIER P	Fl. 45	78	1.30 B	12	2.60	1	4.50 A	Fl. 47.50
GIST-BROC. C	Fl. 27.50	211	4.20	50	4.40	-	-	Fl. 30.40
GIST-BROC. P	Fl. 30	7	1.40	600	3	307	4	Fl. 30.40
HEINEKEN C	Fl. 130	89	2.50 B	73	5	-	-	Fl. 120.80
HEINEKEN P	Fl. 100	-	-	21	2.90	3	4	Fl. 120.80
HOOGOVENS C	Fl. 30	435	2.40	111	3.60	37	4.40	Fl. 30.30
HOOGOVENS P	Fl. 25	-	-	31	0.90	-	-	Fl. 30.30
KLM C	Fl. 35	659	1.10	74	2.50	44	3.30	Fl. 33.70
KLM P	Fl. 30	12	0.60 B	35	1.40	-	-	Fl. 33.70
NEDLLOYD C	Fl. 210	129	6	-	-	-	-	Fl. 193
NEDLLOYD P	Fl. 190	61	10.50	5	22	-	-	Fl. 193
NAT NED C	Fl. 55	140	4	423	5	-	-	Fl. 57.40
NAT.NED P	Fl. 75	-	-	13	19	-	-	Fl. 57.40
PHILIPS C	Fl. 25	362	1.90	31	2.30	20	3.40	Fl. 26.30
PHILIPS P	Fl. 27.50	268	2.70	200	3.40	-	-	Fl. 26.30
ROYAL DUTCH C	Fl. 220	552	4.40	216	6.80	5	8.70	Fl. 214
ROYAL DUTCH P	Fl. 210	445	3.50	89	10.50	6	14.80	Fl. 214
UNILEVER C	Fl. 120	1340	3.10	319	6	1	7.50	Fl. 115.30
UNILEVER P	Fl. 110	207	2.60	11	6	28	8 A	Fl. 115.30

TOTAL VOLUME IN CONTRACTS : 30,382

A = Ask B = Bid C = Call P = Put

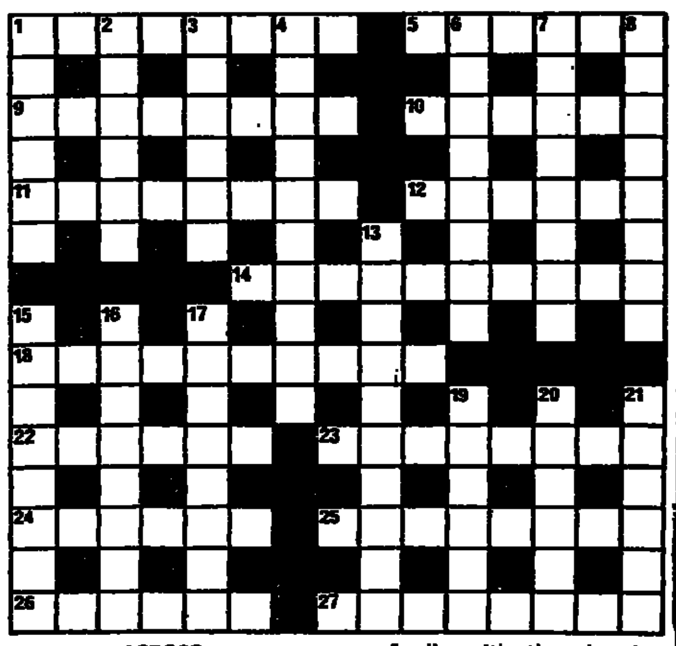
BASE LENDING RATES

	%		%		%
ABN Bank	9	Citibank NA	9	Nat. Bk. of Kuwait	9
Adam & Company	9	City Merchants Bank	9	NatWestminster	9
AAB - Allied Arab Bk	9	Clydesdale Bank	9	Northern Bank Ltd	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Norwich Gen. Trust	9
American Exp. Bk	9	Consolidated Cred	9	PK Finans. Int(UK)	9½
Henry Ansbacher	9	Co-operative Bank	*9	Provincial Bank PLC	10
ANZ Banking Group	9	Cyprus Popular Bk	9	R. Raphael & Sons	9
Associates Cap Corp	10	Dunbar Bank PLC	9	Roxburghe G'rantee	10
Authority Bank	9	Duncan Lawrie	9	Royal Bk of Scotland	9
B & C Merchant Bank	9	Equatorial Bank plc	9	Royal Trust Bank	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Bank Hapoalim	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd.	9½	TSB	9
Bank Credit & Comm	9	● Robert Fleming & Co.	9	UDT Mortgage Exp	‡10.2
Bank of Cyprus	9	Robert Fraser & Ptnrs.	10	United Bk of Kuwait	9
Bank of Ireland	9	Girobank	9	United Mizrahi Bank	9
Bank of India	9	Grindlays Bank	9	Unity Trust Bank Plc	9
Bank of Scotland	9	● Guinness Mahon	9	Western Trust	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Westpac Bank Corp.	9
Barclays Bank	9	● Hambros Bank	9	Whiteaway Laidlaw	9½
Benchmark Bank PLC	9	Heritable & Gen Inv Bk	9	Yorkshire Bank	9
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co.	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst	9	Lloyds Bank	9		
CL Bank Nederland	9	Meghraj Bank Ltd	9		
Central Capital	9	Midland Bank	9		
● Charterhouse Bank	9	● Morgan Grenfell	9		
		Mount Beig Corp.	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4.00% Sawerise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 4.00%. Mortgage 9.75% - 10%

FT CROSSWORD No.6,569

SET BY TANTALUS



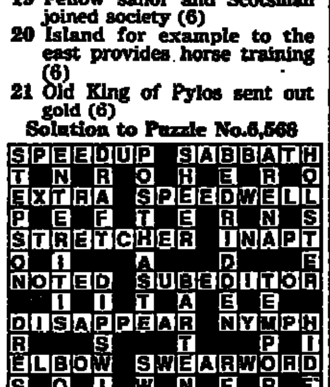
ACROSS

1 and 5 Camper in trench working for wealthy man (8,6)
9 Roman always accommodates good man who can sew (8)
10 Woodlice crawls back in lido – positively horrible! (6)
11 Kind of specialist scoffs at internal organs (8)
12 Coat bearing for typewriter roller (6)
14 Later sense gives a lingering impression (10)
18 Rifle in Hampshire (10)
22 It is soothing to look into novel (6)
23 Shell of a fast vehicle? (8)
24 Imagine something inside atelier (6)
25 Way to go on bicycle not disheartened by grating (8)
26 Allows donations (6)
27 Variegated garden by the old city shows splendour (8)

DOWN

1 Gain control of one in authority (6)
2 Distant as Belloc's ineffectual don (6)
3 Hungary's leader and Russia accept a cavalry soldier (6)
4 Irritate swimmer – a garpike (10)
6 Loser upset – you said note appears determined (8)
7 This shows patronage to family cultivating pimentos (8)
8 Put in peril by grenade thrown about Nigeria's capital (8)
13 Caber often tossed by backer (10)
15 Many fit in top guest house (8)
16 Three articles by graduate become a curse (8)
17 Instrument that rose alarmingly (8)
19 Fellow sailor and Scotsman joined society (6)
20 Island for example to the east provides horse training (6)
21 Old King of Pylos sent out gold (6)

Solution to Puzzle No.6,568



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6075/6

Scimitar Global Bnds Acc.	28.3	30.2	—	—
Do Income	28.2	30.0	—	0.19
Scimitar European Acc.	20.9	22.3	-0.1	—
Do Income	20.9	22.3	-0.1	0.12
Scimitar UK Eq Inc Acc.	35.5	37.8	—	—
Do. Income	33.2	35.0	—	5.44
UK Cap Gth Acc.	23.8	25.1	+0.1	0.75
Scimitar Pac. Basin Acc.	29.7	31.6	+0.2	—
Scimitar Mngd Exempt*	138.4	144.7	-0.2	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Income Units	129.4	137.7	—	2.57
Accum Units	198.6	210.6	—	3.57
UK General Acc.	37.0	39.6	-0.2	3.38
UK General Inc.	35.6	38.1	-0.2	3.38
American	27.3	29.2	+0.1	2.13
European	35.3	37.8	-0.1	1.26
Japan	58.0	62.0	-0.1	0.03
Technology	34.9	37.3	—	2.29
Performance Trusts				
Far East Perf Tst.	17.8	19.0	+0.2	2.00
High Inc Perf Tst Inc.	23.3	24.9	—	5.36
High Inc Perf Tst Acc.	23.7	25.4	—	4.36
Worldwide Tacc Perf Tst.	27.7	29.6	-0.1	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	204.7	219.0	-0.9	2.70
Columbus (US)	132.9	141.1	+1.0	1.34
Marco Polo (Pac)	213.6	228.5	+0.4	0.28
Da Vinci (Eur)	220.5	239.1	+0.4	1.67
Drake (Wld)	52.0	55.7	-0.1	2.49

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

[illegible]

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4955

TBUT Feb 1	213.5	226.8	—	3.18

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse, Colchester CO1 1RA 0206 764400

Triton General	144.9	156.4	+0.3	1.79

Tyndall Unit Trust Managers Limited

[illegible]

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403-40033

British Growth Fd.	57.4	61.1	-0.2	1.75
Technical Analysis Fd.	49.3	52.5	-0.2	3.46

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6864

Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd.	176.3	187.6	—	1.62
Friars Hse Inc Fd.	150.2	158.1	—	3.82

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

United Charities	167.0	177.1	-0.8	4.25

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053

Dealing Line: 01-236 2468

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	374.6	394.4	—	—
Eb'r Ph. Eq.	310.0	337.4	—	—

Pension Plan Funds
Phoenix

UK Equity Acc.	349.2	368.6	-0.9	—
International Acc.	127.3	134.0	+0.1	—
Property Acc.	125.4	131.9	—	—
Fixed Interest Acc.	154.1	162.2	—	—
Money Acc.	136.7	143.8	—	—
Bldg. Soc. Link Acc.	133.7	140.7	+0.1	—
Special Mngd. Acc. 0	144.2	151.7	-0.4	—

Phoenix/Framlington

Intnl. Growth Acc.	87.9	94.6	+1.0	—
Amer. & Gen. Acc.	82.3	86.6	+0.2	—
Capital Tst. Acc.	171.3	180.3	+2.4	—
Japan & Gen Acc.	181.5	191.0	+1.3	—
American Turn. Acc.	82.3	86.6	-0.6	—
Recovery Tst. Acc.	167.3	176.1	+2.5	—
Special Mngd Acc.	141.9	149.3	+0.3	—

Phoenix/GT

International Acc.	123.6	130.1	—	—
US & General Acc.	91.0	95.7	-1.0	—
Amer Spec Sits Acc.	65.3	68.7	+0.1	—
Japan & General Acc.	175.5	184.7	+1.2	—
Far East & Gen. Acc.	138.0	145.2	+0.4	—
UK Capital Acc.	170.9	179.8	+0.3	—
European Acc.	135.8	142.9	+1.0	—
Special Mngd. Acc.	125.4	132.0	+0.3	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	260.3	274.0	—	—
Man Pens Inc & Cap Fds	330.5	347.9	—	—
Money Fund	111.3	117.2	—	—
Pens. Mngd Fd (Unit)	81.8	86.2	—	—
Pens Mngd Fd (Acc)	91.9	96.8	—	—
Pens FT30 Fd (Unit)	125.6	132.3	—	—
Pens FT30 Fd (Acc)	141.1	148.6	—	—
Pens G'teed MgFd(Unit)	59.3	59.3	—	—
Pens G'teed MgFd(Acc)	62.1	65.4	—	—
Pens Fxd Int Fd (Unit)	103.5	109.0	—	—
Pens Fxd Int Fd (Acc)	116.2	122.4	—	—
Pens Deposit Fd (Unit)	100.8	106.2	—	—
Pens Deposit Fd (Acc)	113.2	119.2	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222
Prufund

Managed Feb 24	195.6	205.8	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd.	430.9	453.6	—	—
Equity Fd.	868.7	914.5	—	—
Intnl. Fd.	305.8	321.9	—	—
Fixed Int. Fd.	365.0	384.3	+0.2	—
Prop. Fd.	306.0	322.2	+0.5	—
Cash Fd	234.3	246.7	+0.1	—
Pacific Basin Fd.	169.7	178.7	+0.2	—
North American Fd.	123.9	130.5	+0.3	—
European Fd.	132.1	139.1	—	—
Holborn Balanced Cash Fd	98.2	103.3	—	—
Holborn Strategic Cash Fd	96.9	102.2	—	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	457.2	481.3	-1.4	—
Equity	645.8	679.8	-3.4	—
Global Equity	193.5	203.7	-0.5	—
Fixed Interest	369.5	389.0	+0.1	—
Property	306.6	322.8	—	—
Cash	137.8	145.1	+0.1	—
Index Linked Gilt	163.7	172.4	—	—
Guaranteed	8.96		—	—
International Money	187.4	197.3	-0.1	—
North American Fd.	54.7	57.6	+0.1	—
Japanese Fund	124.4	131.0	-0.1	—
European Fund	70.2	73.9	-0.3	—
Special Situations Fd.	94.3	99.3	-0.2	—
Communications Fund	78.3	82.5	-0.2	—
Smaller Cos Fund	93.3	98.3	-0.1	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Feb 24	£122.46	125.97	—	—
Equity Fund Feb 24	£130.44	134.39	—	—
Intnl Fund Feb 24	£21.06	21.76	—	—
Intl Bond Fd Feb 24	£10.99	11.14	—	—
Fixed Int Feb 24	£66.81	67.67	—	—
Index Linked Feb 24	£51.45	52.08	—	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101⅜	89¾	Conv 9pc Ln 2011	99⅜	+⅜	8.99	8.98
69¼	59¾	Treas. 5½pc 2008-12‡‡	67⅞xd	+⅜	8.16	8.75
91⅞	79⅛	Treas. 7¾pc 2012-15‡‡	87⅜	+½	8.81	8.93
134⅜	116⅛	Exch. 12pc '13-'17	129⅛	+½	9.30	9.06

Undated

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45⅝	39⅜	Consols 4pc	43⅝	+¼	9.11	–
41⅞	34⅜	War Loan 3½pc‡	39⅞	+¼	8.93	–
52⅞	46½	Conv. 3½pc '61 Aft.	50⅞xd	+¼	6.87	–
34⅞	29⅜	Treas. 3pc '66 Aft.	32⅝	+¼	9.19	–
29⅜	24⅜	Consols 2½pc	27¾	+⅛	9.00	–
29⅜	24⅜	Treas. 2½pc	27¾xd	+⅛	9.00	–

Index–Linked

1987/88 High	Low	Stock	Price £	+ or –	(1)	(2)
119¼	108⅜	Do. 2pc '90(333.9)	118⅛	......	0.78	2.20
101¼	93½	Do. 2pc '92‡‡ (385.8)	99⅞xd	......	2.06	2.74
130⅜	119⅛	Do. 2pc '96(267.9)	130⅛xd	+⅛	3.32	3.65
111½	96⅝	Do 2½pc '01 (308.8)	109⅜xd	+⅛	3.65	3.89
110	94¼	Do. 2½pc '03(310.7)	107⅞	–⅛	3.67	3.89
113⅞	94⅜	Do. 2pc '06(274.1)	108⅝	+⅛	3.79	3.91
108	89⅝	Do. 2½pc '09(310.7)	102⅞	+⅛	3.72	3.89
113⅜	93⅞	Do. 2½pc '11(294.1)	106⅞	+⅛	3.73	3.89
95⅛	76⅛	Do. 2½pc '13(351.9)	88½	+⅛	3.68	3.83
103⅞	83⅞	Do. 2½pc '16(322.0)	95½	+⅛	3.65	3.79
101⅞	81¾	Do. 2½pc '20 (327.3)	93⅝	+⅛	3.59	3.72
86⅞	68⅛	Do. 2½pc '24‡‡(385.3)	79⅞	+⅛	3.52	3.64

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for June 1987:101.9 and for January 1988: 103.3
(rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113¾	97½	African Dv Bk 11¼ Ln 2010	107⅜	+⅜	10.36	10.26
109¼	93	Asian Dev Bk 10¼pcLn2009	103⅞	+⅛	9.92	9.87
136	117¼	Australia 13½pc 2010	128⅝	+⅜	10.50	10.22
118¼	100½	Do. 11¾pcLn2015	111⅞	+⅜	10.17	10.09
115½	99¾	Euro Inv Bk 11pc Ln 2002	109⅛	+¼	10.07	9.79
110¼	94⅞	Do. 10¼pc2004	105	+½	9.88	9.75
126¾	109¾	Int-Am Dev Bk 12½pc 2003	119⅛	+⅛	10.49	9.99
104¾	88½	Do. 9¾pcLn 2015	97⅜	+⅛	9.981	9.99
97¼	83	Malysia 10¾pcLn 2009	91⅜xd	+⅛	11.77	11.82
130⅞	100⅛	Sweden 13½pc Ln 2010	129	+⅜	10.47	10.16
103½	87⅜	Utd. Mexican States 16½pc 2008	103⅛xd	+⅛	16.01	9.82

CORPORATION LOANS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109⅜	103	Birmingham 13½pc 1989	105⅛	......	12.83	10.06
119	100½	Do. 11½pc 2012	110¼	+⅜	10.43	10.34
95¼	82½	GLC 6¾pc 1990-92	91xd	+¼	7.42	9.60
132½	115	Leeds 13½pc 2006	120	......	11.25	10.97
35	22	Liverpool 3½pc Irred.	30	......	11.67	–
96	85	LCC 6¾pc '88-90	93	+¼	7.26	10.10
31½	21	Do. 3pc '20 Aft.	28xd	–2	10.71	–
115	103½	Manchester 11½pc 2007	108½	......	10.60	10.50

COMMONWEALTH & AFRICAN LOANS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
92¾	81¼	NZ 7¾pc 1988-92	91¼	+½	7.90	9.70
207	165	S Rhod 2½pc Non-Asstd.	205¼	......	–	–
78	65	Do. 4½pc 87-92 Asstd.	78	......	–	–
860	70	Zimbabwe Ann (£100pd)	91¼	–¼	–	–

LOANS

Building Societies

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101⅛	99⅞	N'Wide 10½pc 7.3.88	100⅛	......	10.48	9.30
101⅛	99½	Do. 9⅜pc 11.4.88	100	......	9.94	9.52
102	98	Do. 9⅝pc 3.5.88	99⅜	......	9.69	9.64
101	98¾	Do. 8⅞pc 23.5.88	99¾	......	8.90	9.63
100⅛	98⅛	Do. 8⅞pc 20.6.88	99⅜	......	8.97	9.67
100⅜	98⅜	Do. 9½pc 11.7.88	99⅜	......	9.63	9.72
100⅜	99	Do. 10pc 1.8.88	100⅛	......	9.99	9.76
101¼	99¾	Do 10⅝pc 22.8.88	100⅜xd	......	10.52	9.76
101⅜	99⅞	Do. 10⅜pc 12.9.88	100⅛	......	10.75	9.76
101⅛	99¼	Do. 10⅝pc 26.9.88	100⅜	......	10.59	9.92
101⅛	100⅛	Do. 10⅛pc 31.10.88	100⅛	......	10.18	10.01
100¼	99⅞	Do. 9¼pc 28.11.88	99⅜	......	9.31	10.09
100⅛	99⅝	Do. 9¾pc 28.12.88	99⅜	......	9.84	10.10
100¼	99⅜	Do. 9⅜pc 23.1.89	99⅜	......		
102¾	84	Do. 3¾pcIL Ln 2021	92½	......	4.41	4.56

Public Board and Ind.

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
94¾	84	Agric. Mt. 5pc '59-89	92	......	5.43	10.90
48	38½	Met. Wtr. 3pc 'B'	46xd	......	6.52	10.04

Financial

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
107	99	Inv in Ind 11¼pc Un Ln '90	103	......	11.41	9.91
98½	83½	Do 7¼pcADb89-92	93⅛	+⅛	7.79	9.03
113½	103	Do. 12½pc Un. Ln. 1992	108¼	......	11.55	9.95
98½	81⅞	Do. 7¼pc A 1991-94	91¾xd	+⅛	7.91	8.93
101½	89¼	Do. 9pc A 1991-94	100	......	9.00	8.99
100	85¾	Do. 8¾pc Ln 1992-97	98⅛xd	+⅛	9.00	9.10

FOREIGN BONDS & RAILS

1987/88 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
55	42	Greek 7pc Ass.	45	......	3.50	17.78
52	40	Do. 6pc 28 Stb. Ass.	45	......	3	16.67
50	45	Do 4pc Mixed Ass.	45	......	2	14.44
75	58	Hung. '24 Ass.	75	......	2.75	13.67
146½	122⅞	Hydro Quebec 15pc 2011	138⅜	+⅜	15.00	10.90
136¼	115½	Iceland 14½pc Ln 2016	126¼	+⅛	14.50	11.32
103½	94	Ireland 9¾pc '91-96	100½	......	9.75	9.70

AMERICANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	23¾	Abbott Laboratories‡	28⅞	–⅛	$1.00	–	1.9
40½	20¾	Alcoa $1	25⅝	–⅛	$1.20	–	2.6
18¾	420p	‡Allegheny & W 1c	579p	+29	30c	–	2.8
19⅞	7⅞	Amax $1	9⅞	+⅛	–	–	–
30¼	13½	Amdahl 5c	19	–⅛	20c	–	0.6
35¾	18⅞	Amer. Cyanamid $5	27xd	+½	$1.05	–	2.1
25⅛	11⅛	Amer. Express 60c	14⅛xd	–⅛	76c	–	2.9
12⅞	636p	Amer. Medical Int. $1	794p	+19	472c	–	5.0
22½	14¼	American T. & T. $1	16⅝	–⅛	$1.20	–	4.0
65½	43½	Ameritech $1	52⅛	......	$4.72	–	5.0

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27½	2¼	Southwestern Bell $1	28⅞		$2.32	–	6.1
22¼	994p	♦Staley Continental‡	13	–⅛	80c	–	3.4
44½	21¾	Sun Co. Inc. $1	30⅝xd	–⅜	$3.00	–	5.4
42¼	22¾	TRW Inc. $0.625	27⅝xd	+⅛	h$1.60	–	3.1
37½	21	Tenneco $5	23⅞xd	–⅛	$3.04	–	7.0
220	149½p	Do. 10pcLn.Stk. 91-5	155		10%	–	f4.7
29¾	15¾	Texaco $6.25	24½	–⅛	$3.00	–	6.8
74	36⅞	Time Inc. $1	50⅞xd	+¼	$1.00	–	1.1
30¼	15	Transamerica $1	18¾		$1.84	–	5.4
14½	1¼	Transworld Corp $5	937p	+5	20c	–	1.2
27¼	12¼	TRINOVA Corp	18xd	–⅛	56c	–	1.7
24¾	12⅝	♦USX $1	18⅜	–⅛	$1.20	–	3.6
37⅞	16¼	Utd. Technologies	22⅝	–⅛	$1.40	–	3.4
38¼	25⅞	US West‡	31	–⅛	$3.28	–	5.8
30½	17¼	Waste Management $1	20	–⅛	36c	–	1.0
31½	11⅝	Whirlpool $1.0	15⅝xd	+⅛	–	–	–
37¼	16½	♦Woolworth $3½	25¾	+⅛	$1.32	–	2.8

CANADIANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp‡	245p		–	–	–
26½p	10p	♦Abbot Energy Corp	18p		–	–	–
18¼	506p	♦Amer. Barrick Res.	10⅝		–	–	–
141p	3½p	American Lightwave	4½p		–	–	–
122p	25p	♦Arsmeno	35½p	+10½	–	–	–
117p	39½p	Augmitto Explo	58p		–	–	–
19½	10¾	Bk. Montreal‡	11½		$2.00	–	7.7
10½	488p	Bk. Nova Scot.‡	558p	–11	72c	–	5.7
20¾	15	BCE‡	17⅛		$2.44	–	6.3
10½	511p	♦Bow Valley‡	706p		♦40c	–	2.5
20	10¼	♦Brascan‡	11½		88c	–	3.4
609p	186p	♦Breakwater Res.	216p		10c	–	2.0
11⅝	734p	Can.Imp Bank‡	687p		$1.08	–	5.4

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Gr's	P/E
[illegible]								
180	87	Medirace 10p	123		–	–	–	–
38	23	Norton Group 5p	29	+1	–	–	–	–
98	38	♦Oroca Gold IR 2p	41	.....	–	–	–	–
48	36	Propeller 1p	36	.....	W–	–	–	11.3
¶82	13	Publishing Hldgs.5p	19	–1	–	–	–	11.4
128	70	Seacon Hldgs.	70	.....	–	–	–	10.6
27	18	Stats Hldgs. 5p	26	+1	–	–	–	66.5
4½	3	Stannard Studios 1p	3⅞	.....	–	–	–	18.5
230	200	Takare	218	–1	b1.0	8.1	0.6	22.4
87	38	Theme Holdings	45	+2	1.8	1.9	3.0	24.1
36	28	Tomorrows Leisure 20p	28	–2	–	–	–	11.2
210	125	UPL Group 10p	125	.....	L2.41	2.8	2.6	18.7
140	103	Unit Group	140	.....	R4.6	2.5	4.5	10.0
85	85	Video Tape Recording 5p	85	.....	L2.5	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- §§ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- I Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	.....
Craig & Rose £1	650	–13
Finlay Pkg. 5p	77	.....
Holt (Jos) 25p	£11⅝	+⅛

IRISH

Fund 11¼% 1988	£100½	.....
Nat. 9¾% 84/89	£100½	–¼
Fin. 13% 97/02	£114⅝	.....
Arnotts	300	.....
CPI Hldgs	82	.....
Carrol Inds	153	+8
Hall (R. & H.)	106	–2
Helton Hldgs	44	.....
Irish Ropes	120	.....
Unidare	385	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	25
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	28
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	24
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	58
Vickers	18
Wellcome	42
Property	
Brit Land	20
Land Securities	48
MEPC	40
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	10
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apr 7	Apr 8	Apr 18

*New time dealings may take place from 9.00 am two business days earlier.

Gilt-edged move higher and equities steady despite record UK trade deficit

THE UK SECURITIES markets stood up successfully yesterday to the announcement of a record £1.5bn visible deficit on UK trade in January. Although the trade figures were worse than expected, both equities and Gilts quickly shook off any ill effects, encouraged by buoyancy in the pound, and by analysts' suggestions that the figures were distorted by special factors.

Government bonds, in particular, responded vigorously to a statement from the UK Treasury, urging careful interpretation of the January trade figures which had been described in the marketplace as "frankly awful".

Bonds quickly recouped the falls of ⅝ which followed the trade deficit news, and moved up again smartly as market fundamentals reasserted themselves. The prolonged absence of new supply was underlined when the Bank of England made no move to issue new taplets and, with the pound comfortably above DM 2.99 again, the bond market continued to build up portfolios ahead of Budget Day, March 15. The pound's firmness reduces the chances of another rise in bank base rates before the Budget.

In equities, where turnover remained woefully thin, the response was more cautious and London, already apprehensive ahead of the opening of Wall Street, was slow to respond to the early advance in New York.

The FT-SE 100 Index closed 2.3 points up at 1768, after fluctuating during the session. An early rise of 4.2 points was reversed following the trade figures announcement, and prices were slow to follow when Gilts and sterling picked up during the afternoon.

Once again, a Seaq volume total of only 318.2m shares betrayed a lack of institutional involvement as the market moved into the second week of the pre-Budget trading account.

"Will the Budget come to the rescue", asked Mr Neill MacKinnon of Nomura Research Institute, suggesting that there might not be much for equities to "get excited about" in view of the buoyant economy and the likelihood of a cautious Budget Speech.

The chances of the FT-SE Index testing 1800 before Budget Day seemed to recede yesterday. Equity traders tried to sound optimistic but but the managed funds, known to be cash heavy at present, continued to devote much of their attention to the Gilt-edged market.

There was selective interest in equities, however. Bank shares continued their recovery from the gloom which preceded the trading results disclosed over the past fortnight. Steps towards a new accord between Brazil and its leading creditor banks encouraged the re-rating of the UK banks by London analysts.

ICI edged forward in thin turnover, and there was interest in both GEC and Plessey as the market measured the implications of the £400m joint telecommunications venture by the two groups, outlined in a circular to Plessey shareholders. The unexpected disclosure that Campeau may face a rival bidder for Federated Department Stores sent Marks & Spencer shares higher, reflecting the City's doubts over the plan to buy Brooks Brothers of the US.

The bond market saw some switching out of US Treasury securities into British Gilts as funds took advantage of the yield differential.

Analysts at a major US house contrasted the supply position between the UK, where there is little pressure of Government funding, and the US, where further Federal funding is inevitable.

Index-linked stocks put on about ¼, but the 2½pc IL Treasury '13 tap remained just below 88⅛, the last selling price of the Government Broker.

Plessey and GEC attracted the lion's share of business in electronics issues after the former published its Class 1 circular on the merger of the two groups' telecoms businessesinto a single unit with assets in excess of £400m and annual sales of over £1 bn.

The circular was issued because of the need for shareholders to approve the deal which involves the injection of around 50 per cent of Plessey's assets into the new unit. Plessey shares put on 4 to 164p on turnover of 4.7m shares with the identity of the recent buyer of around 2 to 3 per cent of the company's shares still not known. GEC eased 2 to 155p on turnover of 3.6m.

Allied-Lyons is to form a new company, Hiram Walker-Allied Vintners International which will fully co-ordinate the distribution for all the brands of both companies, but the announcement was hardly the reason for another strong surge in the shares. A more likely solution was further stake-building by Bond Corporation, the Australian conglomerate.

FINANCIAL TIMES STOCK INDICES

	Feb. 29	Feb. 26	Feb. 25	Feb. 24	Feb. 23	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.26	90.03	90.01	89.76	89.62	88.39	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.43	95.79	96.44	†96.38	96.04	93.81	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1429.5	1423.7	1433.9	1417.0	1410.3	1604.5	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	234.0	244.9	248.9	254.8	262.0	324.7	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.47	4.49	4.46	4.44	4.45	3.62				
Earnings Yld. % (full)	10.65	10.70	10.63	10.67	10.70	8.47				
P/E Ratio (net)(*)	11.39	11.34	11.42	11.38	11.34	14.48				
SEAQ Bargains (5pm)	23,914	23,002	24,908	22,868	26,479	52,617				
Equity Turnover (£m)	-	1157.51	1119.40	961.47	1293.31	1390.06				
Equity Bargains	-	27,071	27,688	25,889	27,872	64,869				
Shares Traded (ml)	-	357.6	469.3	359.2	449.2	598.8				

S.E ACTIVITY

Indices	Feb.26	Feb.25
Gilt Edged Bargains	112.7	124.5
Equity Bargains	175.4	179.4
Equity Value	2339.6	2262.6
5-Day average		
Gilt Edged Bargains	125.8	126.7
Equity Bargains	174.7	178.6
Equity Value	2193.5	2172.3

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1426.4	1423.9	1428.1	1422.4	1424.0	1425.1	1427.5	1428.3

Day's High 1430.3 Day's low 1420.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=11.27.
† Corrected figure.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

Marketmakers were fairly certain that an overseas investor was involved in the early business but the buying faltered when the share price started to motor forward. Later investment was more speculative and Allied-Lyons shares were chased higher to close 16 up at 372p. Turnover amounted to 8.9m shares. Recent reports have suggested that Mr Alan Bond wants closer trading trading links with the UK group, which promotes his Castlemaine XXXX lager in this country.

Marks and Spencer shares, little changed around 176p for much of the day, picked up smartly late in the session to close a net 3 firmer at 179p on turnover of 4.7m shares.

The late rise came after news that a counter bidder for the US Federated Department Stores had appeared on the scene. M & S is currently offering $770m for Brooks Brothers, part of theCampeau group, conditional on the latter gaining control of Fed Stores. Analysts in London have indicated concern at the price M & S are paying for Brooks.

Television issues were dealt a severe blow by the Government's proposal to auction independent TV franchises when they run out in four years time; Britain has 15 commercial television companies, virtually all quoted on the London Stock Exchange and the decision means that the TV companies will have more chance of losing their franchises than in the past.

Selling was persistent and prompted falls in the region of 20 in Central TV, 535p, and Yorkshire TV, 196p. Tyne Tees were 17 lower at 543p and TV South 17 down at 330p. LWT shed 4 to 154p and Thames gave up 5 at 335p. Granada, which derives around 15 per cent of its profits from TV, fell 11 to 313p, sentiment here also clouded by "take profits" advice in the weekend Press.

Lloyds and NatWest spearheaded a general upsurge in the banks as analysts took a much more positive view of the sector, particularly after last weekend's news that Brazil and its creditor banks have moved nearer to an agreement on the country's debt problems.

The Brazilian news, coupled with much better sentiment in the sector after last week's preliminary results triggered especially strong buying of Lloyds, which jumped 10 to 275p on a turnover of 5.2m shares. "Re-ratings of the banks, notably Lloyds are going on now" said one trader. NatWest were also favoured and moved up 12 to 580p with turnover topping 5.2m.

Barclays improved 6 to 485p with around 2m shares traded – Morgan Grenfell, the securities house, rates the stock a "buy" and says Barclays is "regaining its momentum". Midland put on 6 to 404p.

Merchant banks made good progress and included two exceptionally firm issues. Kleinwort Grieveson raced up 9 to 347p after BZW issued a "buy" recommendation "for yield, asset backing and speculative possibilities". SG Warburg, where BZW say the shares are "undervalued and have good long term potential", were 7 better at 324p.

Insurances were mixed. Commercial Union were a fraction better at 329p in front of tomorrow's preliminary results.

BP "old" and "new" were the mainstays of an otherwise depressed oil and gas sector still suffering from last week's slide in crude oil prices. The latter were steadier yesterday but dealers were sceptical about the market's ability to sustain any rally.

Turnover in BP "old" topped 7m shares, much of this being carried out via the inter-dealer broking screens, and the share price settled 3½ up at 249p. And there were whispers that the Kuwait Investment Office may have switched its attention to the "old" class of BP shares after its mammoth buying operation in the "new"; these were a shade up at 62½p on turnover of 5.4m.

Both market newcomers staged highly successful debuts. Electronic security and surveillance equipment group Gardiner opened at 39p and closed at 40p compared with a placing price of 30p, while waste handling and construction material producer Shanks and McEwan, placed at 650p, started trading at 710p and advanced to 745p.

Weekend press speculation that Guinness was set to receive a cash repayment from disgraced US arbitrageur Ivan Boesky aroused only small buying interest but it was sufficient to raise the shares 3 to 296p. Light institutional support put Bass 7 higher to 815p in contrast to last week's strong performer, Scottish & Newcastle, which drifted back 4 further to 347p.

Buildings finished with an easier bias as turnover contracted quite sharply. Among the leaders, Blue Circle, the subject of revived takeover speculation last week following its failure to acquire Birmid Qualcast, shaded to 432p. Tarmac attracted a fair trade (1.1m shares) but the price remained at 239p. Meyer International came on offer at 365p, down 9, but Ibstock Johnsen touched 188p prior to closing unchanged at 184p as stake-building rumours persisted. Details of a business swap deal with Evered helped Raine Industries add 2 to 92p; the former rose 7 to 125p. Evered has bought the quarrying and engineering activities of Aberdeen Construction, a Raine subsidiary, and at the same time has sold its portfolio of house-building interests to Raine.

Barton Group, where interim results are due on March 22, rose 6 to 242p on turnover of 2.1m shares. Storehouse added 4 at 244p.

STC dipped to 239p prior to ending the session 5 off on balance at 240p on turnover of 2.1m shares in front of today's preliminary results; analysts expect the group to show pre-tax profits in the region of £180 to £185m compared with last time's £134.2m.

Press comment boosted NEI which closed 5 higher at 103p; the preliminary figures are expected on March 23. Microfilm Reprographics dipped 10 to 375p despite the higher profits – up from £1.23m to £1.67m.

Interest in the engineering sector tended to diminish but a handful of features emerged. BM Group were outstanding and touched 410p before coming off the top to close a net 8 higher at 393p following news of the proposed acquisitions from house building group Beazer and the good interim results.The latter showed profits up from £2.1m to £3.1m; the acquisitions comprise Beazer Product Services and Tod for which BM is paying £37.6m in ordinary and preference shares and taking on borrowings of £9.6m. Beazer were finally 2 penny up at 208p.

Delta Group edged up 3 to 264p on further consideration of the recent disposals and board changes; Citicorp Scrimgeour Vickers say Delta's rating "looks too low".

Leading International issues traded quietly throughout, the trade figures causing only a few moments disquiet. Fisons finished the session 4 better at 254p awaiting today's annual results; the pharmaceutical, scientific equipment and horticulture group is expected to report pre-tax profits in the region of £104m compared with £85m for 1986. Glaxo shaded to £10⅞, but De La Rue improved 6 to 405p and Reuters added 4 to 528p. Unilever, preliminary figures due today, hardened 5 to 499p. Pearson Group encountered occasional selling in a sensitive market and shed 14 to 576p, but Christies International gained 43 to 558p as bid rumours resurfaced. Williams Holdings eased 7 to 274p, the more-than-doubled annual profits discounted. Celestion were 5 dearer at 40p pending the outcome of discussions which may lead to an offer for all, or parts of the company, while Anglo Nordic were re-quoted 5 higher at 24p following details of the F.L. Smith minority bid. Unigroup, the beleaguered timber, building and clothing company, were re-quoted at 53p, and closed at 55p, some 118p below the suspension price of 173p; the DTI has been authorised to examine the books and records of the company and also possible insider trading in the group's shares.

Lucas Industries shares extended their advance to 632p, up 4, helped by a recommendation from Citicorp Scrimgeour Vickers. The Engineering team at the securities houses thinks the stock continues to offer good value at current levels. Favourable comment on tomorrow's annual results – profits forecasts are put at £17m plus – lifted T.Cowie 3 to 124p while Lex Service, at 222p, retained a firm profile awaiting Thursday's preliminary statement.

Saatchi & Saatchi continued Friday's late reaction following a profits downgrading by two leading broking houses and closed 11 lower at 422p. WPP, a rising market last week, slipped despite good comment to close 510p but Addison Consultancy jumped 9 to 98p on the proposed demerger of the recruitment services division, and combined group profit forecast. Newspaper mention assisted Shandwick, 10 up at 525p, and WCRS, 4 better at 230p.

Confirmation of the tender offer for all shares of Seal Inc., a US supplier of laminating and film application equipment, at $12 each put Bunzl 2 better to 171p. Elsewhere, Eucalyptus Pulp spurted 20 to 680p while BPP, which disclosed sharply higher profits last week, moved similarly higher to 320p. Home Counties Newspapers gained 15 to 305p.

British & Commonwealth became unsettled after news that it had served a writ on Mr Gary Klesch's Quadrex Holdings claiming damages for breach of contract. Last autumn, Mr Klesch agreed to purchase the wholesale broking division of Mercantile House, now part of B & C, for £280m but has failed to complete in the time stipulated. These businesses, comprising Marshall & Co. and William Street Holdings, are now up for sale. B & C shares ended 6 down at 295p. Among other miscellaneous financials, Centreway Trust raced up 15 further to 145p but Ivory & Sime lost 6 to 117p.

Business in traded options contracted further despite the expiry of the FTSE February 100 series. The FTSE contract attracted 1,346 calls and 1,553 puts. Commercial Union registered recorded over 1,000 contracts ahead of tomorrow's figures and activity was also noticeable in Allied Lyons. The total number of contracts yesterday was 14,812 made up of 9,009 calls and 5,803 puts.

Traditional Options

- First dealings Feb 29
- Last dealings Mar 11
- Last declarations Jun 2
- For Settlement Jun 13

For rate indications see end of London Share Service

Call options were arranged in Premier Consolidated Oil, Walter Lawrence, A.G.Stanley, Marks & Spencer, Freshbake Foods, Inoco, Amstrad, AB Engineering and ERA Group. No puts or doubles were reported.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	925	Enterprise Oil	422	Prudential	1,400
Allied-Lyons	6,500	Fisons	2,200	Racal	1,300
Amstrad	1,100	General Accident	304	Rank Org.	323
Argyll Group	1,200	General Elect.	3,600	RMC	90
Assoc. Brit. Foods	40	Glaxo	1,000	RHM	190
BAA	429	Globe Investment	530	Reckitt & Colman	20
BAT	1,200	Granada	3,600	Redland	737
BET	3,000	Grand Met	7,700	Reed Intl.	228
BICC	775	GUS "A"	261	Reuters "B"	326
BOC	556	Guardian R.E.	172	RTZ	777
BPB Inds	805	GKN	528	Rolls-Royce	1,500
BTR	1,900	Guinness	1,100	Rothmans "B"	270
Barclays	1,900	Hammerson	7	Rowntree	251
Bass	273	Hanson	4,700	Ryl Bank Scotland	653
Beecham	281	Hawker Siddeley	240	Royal Insurance	903
Blue Arrow	5,800	Hillsdown Holdings	166	STC	2,100
Blue Circle	195	IMI	317	Saatchi & Saatchi	977
Boots	1,600	ICI	2,200	Sainsbury	1,200
Brit. Airways	3,200	Jaguar	420	Scott & Newcastle	944
Brit. Aerospace	271	Ladbroke	416	Sears	999
Brit. & Comm.	1,000	Land Securities	893	Sedgwick	1,100
British Gas	2,200	Laporte	3	Shell Transport	1,700
BP	6,700	Legal & General	3,600	Smith & Nephew	463
Brit. Telecom	2,100	Lloyds Bank	5,600	Standard Chart.	45
Bunzl	563	LASMO	385	Storehouse	2,400
Burmah Oil	623	Lonrho	2,700	Sun Alliance	296
Burton	2,800	Lucas	722	T & N	100
Cable & Wireless	1,300	MEPC	584	TSB	2,800
Cadbury Schweppes	2,000	Marks & Spencer	4,700	Tarmac	1,100
Coats Viyella	1,000	Maxwell Comm.	260	Tesco	3,300
Commercial Union	615	Metal Box	180	THORN EMI	301
Cons. Gold	615	Midland Bank	1,700	Trafalgar House	507
Cookson	216	NatWest Bank	6,300	Trusthouse Forte	436
Courtaulds	508	Next	323	Ultramar	766
Dalgety	263	Northern Foods	75	Unilever	876
Dee Corporation	4,000	Pearson	238	United Biscuits	465
Dixons Group	1,000	Pearl Group	41	Wellcome	709
English China Clays	135	P & O	257	Whitbread "A"	415
		Pilkington	927	Woolworth	1,100
		Plessey	4,700		

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Feb 26 Index No.	Thu Feb 25 Index No.	Wed Feb 24 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	750.55	-0.3	9.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (30)	996.18	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (34)	1502.88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (11)	2067.27	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (32)	1518.80	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (58)	389.00	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	438.86	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (13)	288.18	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (24)	1259.78	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (185)	1038.44	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	1021.53	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (23)	839.87	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	2023.87	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	1826.80	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	1282.73	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (16)	505.37	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	3426.26	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	822.26	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (18)	578.61	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (93)	877.95	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	1129.95	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	1054.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	1175.68	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	1846.72	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	946.72	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (27)	1151.42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	931.26	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (13)	1725.90	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	998.99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (122)	661.32	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	667.42	+2.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	979.88	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	519.58	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	873.18	-1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	342.54	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	1066.89	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	384.96	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (83)	865.33	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	413.19	-1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	1022.26	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (715)	908.08	+0.1	-	[illegible]	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Year ago
FT-SE 100 SHARE INDEX ♦	1768.8	+2.3	1770.7	1758.8	1764.5	1782.4	1766.1	1757.0	1747.2	1983.1

FIXED INTEREST

PRICE INDICES	Mon Feb 29	Day's change %	Fri Feb 26	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	122.96	+0.09	122.85	-	2.08
2 5-15 years	142.30	+0.36	141.78	-	2.14
3 Over 15 years	151.62	+0.51	150.86	-	1.92
4 Irredeemables	167.27	+0.38	166.63	-	1.18
5 All stocks	138.42	+0.30	138.00	-	2.05
Index-Linked					
6 5 years	124.10	-	124.09	-	0.51
7 Over 5 years	117.40	+0.16	117.21	-	0.67
8 All stocks	117.79	+0.14	117.62	-	0.66
9 Debentures & Loans	119.54	+1.56	117.71	-	1.56
10 Preference	88.01	-0.13	88.13	-	0.53

AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 29	Fri Feb 26	Year ago (approx.)
British Government				
1 Low	5 years	8.75	8.80	8.57
2 Coupons	15 years	9.06	9.11	9.35
3	25 years	8.97	9.02	9.34
4 Medium	5 years	[illegible]	[illegible]	[illegible]
5 Coupons	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High	5 years	[illegible]	[illegible]	[illegible]
8 Coupons	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		9.08	9.13	9.29
Index-Linked				
11 Inflation rate 5%	5yrs.	2.54	2.54	2.69
12 Inflation rate 5%	Over 5 yrs.	3.82	3.83	3.39
13 Inflation rate 10%	5yrs.	1.56	1.55	1.85
14 Inflation rate 10%	Over 5 yrs.	3.65	3.66	3.23
15 Debs &	5 years	10.75	10.90	10.41
16 Loans	15 years	10.65	10.83	10.48
17	25 years	10.65	10.83	10.48
18 Preference		10.56	10.53	11.29

♦Opening index 1769.1; 10 am 1765.2; 11 am 1769.2; Noon 1761.0; 1 pm 1761.8; 2 pm 1762.4; 3 pm 1765.4; 3.30 pm 1766.2; 4 pm 1767.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: Berry Trust (71) and General Consolidated (71) have been deleted.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
215	F.P.	-	248	218	AMI Healthcare 20p	248	+1	a5.0	2.9	2.8	16.9
472	F.P.	12/2	87	70	Atlantic Securities 5p	85	-2	-	-	-	-
330	120	-	92	61	British Petroleum	62½	+1½	M12.5	1.5	6.3	13.6
20	F.P.	-	150	131	§Carron Phoenix 10p	150		R3.5	2.7	3.2	15.6
§130	F.P.	-	148	140	§Copymore 5p	141		R2.0	3.0	1.9	17.2
§30	F.P.	-	40	38½	Gardiner Group 5p	40		b0.75	3.9	2.6	13.6
[illegible]	F.P.	-	[illegible]	[illegible]	Gen. Cons. I.T. Inc.	[illegible]		[illegible]	-	[illegible]	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

هكذا من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices February 29

MONTREAL
Closing prices February 29

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 43

Stock	Sales (Hnds)	High	Low	Last	Chng
RepAm .24	10 6367	13	12⅝	13	+ ⅛
ReutrH .87e	1031	57¾	55¾	57½	+ 1⅞
Rexon	11 81	7⅛	7	7	
ReyRy .76	8 205	20¾	20¼	20¾	+ ⅜
Ribilm	302	4½	4⅜	4½	
RohmHL10e	94	20⅞	20⅝	20¾	+ ⅛
RiggsN1.10	314 119	22½	22	22	
RoadSv1.10	25 1470	31¾	30¾	31¼	+ ¾
RochCS.12e	10 439	11	10½	11	+ ⅜
RevtFd	4 50	9¼	9	9¼	+ ¼
Rospch	37 66	20¼	20	20¼	+ ¼
RossStr	1268	6⅛	6	6	− ⅛
Rousse .47	110 327	23	22½	23	+ ½
RoyGld	42 485	3⅛	2⅞	2 15-16	+ 1-16
SoundW	20 1418	12⅝	12⅛	12⅛	
SCarNt .56	9 75	21	20¾	21	+ ¼
Sounet	27 831	15¾	14¾	15¾	+ ½
SohldSv	202	18⅝	18½	18½	
Soutrst .88	9 x191	21⅝	21½	21⅝	
Sovran 1.44	10 796	35⅛	34⅞	34⅞	− ⅛
Spartcs	10 151	7¾	7½	7¾	
Standys .92	19 184	54⅞	54⅜	54⅜	
StdMic	3260	6⅝	6 1-16	6¼	+ ⅜
StdRegs .44	16 18	22¾	22¼	22¼	− ¼
StrplSv1.43t	81	13½	12¾	12¾	
Stars	67	1⅝	1⅛	1⅝	+ ¼
StaStBo .48	11 393	25⅞	25⅝	25⅝	
StwBcs .80	12 154	22¼	21½	22	+ ¾
Unifi	9 1016	18⅞	18⅝	18¾	
UnPlntr .60	17 366	23	22⅝	23	+ ⅜
UnSpIC	19 383	23¼	23	23	− ¼
UACm .04	43 231	27¾	27¼	27¼	
UBCol	25 110	15½	15¼	15⅜	+ ⅛
UnCosF .55	7 23	19	18½	18½	− ¼
UHltCr	469	4⅜	4½	4⅜	− 1-16
UtdSvrs .72	5 645	17½	16	17½	+ 1¾
USBcp .80	9 218	25⅛	24⅞	24⅞	− ⅛
US HIC .16	191 2128	7¾	7½	7⅝	+ ⅛
USTrst 1.16	12 138	41¾	41	41	− ¼
UStatn .28	18 66	19¾	19	19½	
UnTelev	45 18	27½	27¼	27½	+ ¼
UnvFrs .12	12 637	14½	14	14⅛	− ⅛
Worthg .40	18 329	20⅛	19⅞	20	+ ⅛
Wyman .80	19 1651	15¾	15	15¼	
Wyse	11 2076	20¼	19⅞	20⅛	+ ⅜
X Y Z					
XOMA	307	12	11¼	12	+ ½
Xicor	23 1404	7⅝	7⅛	7⅜	− ⅛
Xidex	3190	7¼	6⅞	7⅛	+ ¼
Xylogic	10 41	12½	12	12	
Xyvan	37 175	5⅜	5⅛	5⅛	− ⅛
YlowFs .62	20 1071	29	28¼	29	+ ⅝
ZionUt 1.44	15	28	28	[illegible]	
Zondvn	41 172	8¾	8⅝	8⅝	+ ¼
Zycad	22 133	4⅛	3⅞	3⅞	− ¼

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

Indices

NEW YORK DOW JONES

	Feb 26	Feb 25	Feb 24	Feb 23	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Home Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] (22/1/87)	[illegible] (19/10/87)	[illegible] (22/1/87)	[illegible] (8/4/32)

*Day's High 2034.81 (2078.08) Low 2005.14 (2006.96)

STANDARD AND POOR'S	Feb 26	Feb 25	Feb 24	Feb 23	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	262.46	261.58	264.43	265.02	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	302.63	301.61	305.06	305.77	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	23.32	23.23	23.54	23.43	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	147.70	147.30	148.54	148.73	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	284.32	283.29	283.20	282.72	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	363.40	363.62	363.14	361.08	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 19	Feb. 5	Jan. 29	year ago (approx.)
Dow Industrial Div. Yield	3.42	3.63	3.53	3.00

	Feb 24	Feb 17	Feb 10	year ago (approx.)
S & P Industrial div. yield	2.99	3.05	3.15	2.58
S & P P/E ratio	14.92	16.29	15.96	20.82

TRADING ACTIVITY

† Volume Millions	Feb. 26	Feb 25	Feb 24
New York	158.060	213.490	212.730
Amex	9.119	13.324	10.007
OTC	112.061	154.008	132.961

NEW YORK	Feb. 26	Feb. 25	Feb. 24
Issues Traded	1,942	1,964	1,975
Rises	804	689	816
Falls	655	802	716
Unchanged	483	473	443
New Highs	9	25	19
New Lows	6	6	6

CANADA

TORONTO	Feb 26	Feb 25	Feb 24	Feb. 23	1987-88 High	1987-88 Low
Metals & Minerals	2573.2	2580.1	2573.0	2590.7	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3167.9	3170.2	3159.6	3160.8	4112.9 (13/8/87)	2837.8 (28/10/87)
MONTREAL Portfolio	1596.60	1600.01	1598.46	1594.43	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Philadel Elec	1,216,700	19⅝	
FPL Group	7,665,300	31½	+ ⅛
Fed Dept Stores	2,596,000	64⅝	− 1½
Eastman Kodak	1,900,100	42⅝	+ ⅝
Ford	1,846,700	22⅝	+ ⅛
Lone Star	1,486,500	31⅛	+ ⅞
Pillsbury	1,391,100	35⅝	+ 2⅞
IBM	1,308,300	115⅛	+ 1⅛
Exxon	1,283,400	41⅛	⅞
Navistar	1,238,500	5½	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable

	Feb. 29	Feb. 26	Feb. 25	Feb. 24	1987-88 High	1987-88 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1250.7	1240.9	1244.8	1257.9	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	576.2	579.1	586.9	608.4	1462.4 (14/10/87)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	169.94	168.72	168.96	170.12	232.19 (22/9/87)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	4840.2	4790.1	4621.8	4587.5	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK						
Copenhagen SE (3/1/83)	191.01	190.74	190.33	198.23	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND						
Unitas General (1975)	580.6	580.3	581.0	580.8	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE						
CAC General (31/12/82)	306.5	305.5	305.3	301.8	460.4 (26/3/87)	251.3 (29/1/88)
Ind Tendance (31/12/87)	(u)	111.2	112.3	110.4	112.3 (25/2/88)	89.7 (29/1/88)
GERMANY						
FAZ Aktien (31/12/58)	456.82	455.51	459.68	451.03	676.84 (6/1/87)	396.40 (29/1/88)
Commerzbank (1/12/53)	1398.3	1391.5	1404.9	1379.2	2061.1 (17/8/87)	1207.9 (29/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2418.08	2383.92	2395.88	2336.0	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY						
Banca Com. Ital. (1972)	503.38	491.74	490.15	494.31	767.34 (30/4/87)	423.91 (9/2/88)
JAPAN **						
Nikkei (16/5/49)	25242.81	25165.18	25100.66	24968.65	26646.43 (14/10/87)	18544.00 (13/1/87)
Tokyo SE New (4/1/68)	2078.07	2072.83	2071.93	2060.29	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS						
ANP-CBS General (1970)	232.6	230.6	233.5	230.3	334.1 (14/8/87)	192.2 (18/11/87)
ANP-CBS Industrial (1970)	182.5	180.2	181.2	178.5	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY						
Oslo SE (4/1/83)	358.62	363.79	365.19	362.4	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE						
Straits Times Ind. (30/12/66)	888.8	888.2	889.1	892.3	1505.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1222.0	1220.0	1238.0	2499.0 (3/8/87)	1220.0 (25/2/88)
JSE Industrial (28/9/78)	(u)	1447.0	1446.0	1452.0	2266.0 (16/10/87)	1387.0 (13/2/88)
SPAIN						
Madrid SE (30/12/85)	254.12	251.53	251.44	251.44	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN						
Jacobson & P (31/12/56)	2517.2	2508.1	2496.4	2497.2	3267.1 (8/10/87)	2068.6 (10/11/87)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	518.0	519.6	523.1	519.2	729.7 (5/10/87)	450.9 (10/11/87)
WORLD						
M.S. Capital Intl (1/1/70)	(u)	436.8	436.3	435.0	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday February 27: Japan Nikkei 25284.87; TSE 2077.84

Base values of all indices are 100 except Brussels SE – 1,000; JSE Gold – 255.7; JSE Industrials – 264.3 and Australia All Ordinary and Metals – 500; (c) Closed; (u) Unavailable

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Treas. 11¾% '03-07	£120¾	+	[illegible]
Addison Consult.	98	+	9
Allied-Lyons	372	+	16
BPP Hldgs.	320	+	20
Burton	242	+	6
Calor	553	+	10
Christies Intl.	558	+	43
Eucalyptus	680	+	20
Evered	125	+	7
Home Counties	305	+	15
Kleinwort Benson	347	+	9
Lloyds Bank	275	+	10
NatWest Bank	588	+	20
Oakwood	860	+	80

FALLS

Brit. & Comm.	295	−	6
Central TV	535	−	19
Granada	313	−	11
Meyer Intl	365	−	9
Saatchi & Saatchi	422	−	11
TVS	330	−	17
Tyne Tees TV	543	−	17
Williams Hldgs	274	−	7
Yorkshire TV	196	−	19

TOKYO – Most Active Stocks
Monday, 29 February, 1988

	Stocks Traded	Closing Prices	Change on day
Sumitomo Metal Industries	90.00m	334	+15
Nippon Steel	79.21m	430	+8
Kawasaki Steel	71.34m	375	+10
Ishikawajima-Harima Heavy Industries	53.58m	746	+15
Nippon Kokan	41.84m	344	+8
Nisshin Steel	31.55m	684	+25
Minebea	16.34m	985	−5
Toshiba	16.19m	785	−5
Kobe Steel	14.81m	313	+9
Mitsubishi Heavy Industries	14.35m	638	+11

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR	s	.36	1.7	19	477	22⅝	21	21	-¾
33	21	AFG	s	.16	.5	14	4434	32¼	32	32⅛	
27	10½	AGS	s			14	864	16⅞	15⅝	16¾	+1
10⅞	5	AMCA					16	5⅛	5	5	
9⅝	3¼	AM	Intl			29	750	4⅛	4	4⅛	+¼
65½	29¾	AMR				12	5173	40¼	39⅝	40	+½
27¼	24⅞	ANR	pf 2.67		10.		6	26	26	26	-¼
12¼	6⅝	ARX				8	276	7⅞	7¾	7⅞	+⅛
73½	40⅛	ASA		3	6.5		697	46¾	45	46½	+1¼
22⅝	9½	AVX				14	246	16¾	16	16⅝	+½
57	40	AbtLab		1	1.9	19	6311	52	49⅞	52	+2⅛
28	15⅝	Abitibi g					58	18½	18¼	18½	+⅛
16¾	8½	AcmeC		.40	3.7		309	10⅞	10½	10⅞	+½
10½	6¾	AcmeE		.32b	3.8	23	21	8⅝	8⅛	8⅝	+⅛
20	14⅛	AdaEx		3.05e	19.		136	16⅛	15⅞	16⅛	+⅛
19½	8⅞	AdamM		.24	2.0	10	242	12⅛	12⅛	12⅛	-⅛
24⅞	7½	AMD					3900	12⅛	11¾	12	+⅛
56¾	29¼	AMD	pf	3	8.5		279	35½	35	35¼	
11⅞	4⅝	Adobe				11	662	7	6½	6¾	-⅛
20½	16¼	Adob	pf 1.84		11.		112	17	16⅞	17	+⅛
21¾	17½	Adob	pf 2.40		12.		10	20½	20½	20½	
15	6⅞	Advest		.12a	1.6	6	416	7⅝	7¼	7½	+¼
67⅞	43½	AetnLf		2.76	5.8	6	2166	47⅝	46⅝	47⅝	+⅞
88½	41	AflPub		.40	.7	9	161	60½	58¾	59⅞	-⅝
28⅞	13	Ahmans		.88	5.3	8	2849	16¾	15⅞	16¾	+¾
5⅝	1¾	Aileen					30	2⅛	2	2	
53⅞	29	AirPrd		1	2.1	15	2184	47⅝	46⅝	47½	+¾

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		P Q								
45	26¾	PHH	1.08	3.5	12	227	31¼	30⅝	31¼	+¼
17⅜	6¾	PHM	.12	1.5	6	257	8¼	7⅞	8¼	+⅜
51	33½	PNC	1.68	4.0	14	x398	42	41⅛	42	+¼
35½	28⅝	PNC pfD1.80		5.2		x1	34½	34½	34½	+¼
58½	27½	PPG	1.20	3.0	12	1506	39¾	38½	39¾	+¾
17⅜	13⅛	PacAS 1.48		9.6		39	15⅝	15⅛	15⅝	+⅜
61¼	45¾	PacEnt3.48		7.0	12	1012	49¾	49	49¾	+⅝
27	15	PacGE 1.92		11.	11	4130	17⅝	17¼	17½	+⅛
17⅜	7⅛	PacRes20e		2.0	342	157	10¼	9⅞	10¼	+¼
27	19	PacRs pf 2		9.4		13	21¼	21⅛	21¼	+⅛
20¼	9¾	PacSci .40		3.1	16	44	13	12⅝	13	
33¾	22½	PacTels1.76		6.0	13	4294	29⅛	28½	29⅛	+⅝
37⅞	28¾	PacHcp2.52		7.4	9	516	33⅞	33½	33⅞	+⅛
38⅝	13⅛	PainWb.52		3.0	8	6362	17⅞	16¾	17⅝	+⅞
26½	12¾	PainW pf1.37		8.8		136	15¾	15¼	15½	+¼
9¼	2⅝	PanAm				22745	[illegible]	2½	2⅞	
7	7-16	PanA wt				276	11-16	⅝	11-16	+1-16
34¾	18¼	PanECn 2		8.0	12	1681	25¼	24¾	25	+¼
17⅛	5½	PanAI			5	586	6⅞	5⅝	6⅝	
27¾	10½	Panspha.16		1.0	16	222	16⅝	16¼	16½	+⅜
27¼	12⅛	ParPh s			20	186	21⅛	20⅞	21	
15½	4¾	ParTch			6	31	5⅞	5⅞	5⅞	+⅛
8¾	3½	Pardyn				365	6⅜	5⅝	6⅜	+¼
24½	12	ParkEl .16		.9	14	37	17⅞	17⅜	17¾	+½
8⅞	2⅞	ParkDrl		.3		369	3½	3⅜	3⅜	−⅛
49	24½	ParkHn .84		2.3	18	725	36	35	36	+¼
5⅛	2⅞	PatPtr			68	87	4⅜	4¼	4⅜	+⅛
18⅝	3⅝	Patten .08l		1.8	7	704	5¼	5	5⅛	
21½	11½	PayNP			14	58	16⅛	15⅞	16	−¼
26⅞	9⅝	PayCsh .16		1.1	18	x2385	14⅝	14¼	14½	+⅜
80½	37	PenCen .05		.1	48	723	45¼	44¾	44⅞	−⅛
		S S S								
		…Ind	.18b	2.0	10	397	9¼	9	9	+⅛
		…5Tec	1	3.1	15	41	32½	31¾	32½	+⅝
		…MC			18	1257	u27	25⅝	27	+1⅛
		…ichl.87e		3.7	11	462	24⅛	23	23½	
		…bine	.04	.3		19	15⅛	14⅞	15⅛	+⅛
		…bnR 1.50e		13.	7	14	11¾	11⅝	11⅝	−⅛
16½	10¼	TrnCdag1.12			11	154	10½	10⅜	10½	+⅛
15⅝	4⅝	Trnscap			7	29	8⅝	8⅜	8⅝	+⅜
50	18	Transcd.36		4.7		431	29¼	28⅜	28⅞	+½
57½	37¾	Trnsc pf4.75		11.		16	44	43⅝	43⅝	+⅛
16¼	4⅞	TranEx .86		13.		359	6⅞	6¾	6⅞	
8⅛	2¼	Transcn				23	3⅜	3¼	3¼	
30⅞	14½	TrnsTec88		4.3	9	39	20¼	18⅞	20¼	+⅜
52½	30¾	Travler2.40		6.4	9	2583	37½	36¾	37½	+⅞
55⅝	46¾	Trav pf4.16		8.3		28	50	49¾	49⅞	
34	20⅜	TriCon4.62e		20.		243	22⅞	22½	22⅞	+⅜
44	22½	Triain s .12		.4	11	1014	28	27½	27⅝	−½
38	22¾	TriInd pf.12		.4		5	27	27	27	+½
48¾	29½	Tribun s .76		1.9	23	1678	41	39¼	40⅞	+⅞
		X Y Z								
86	50	Xerox	3	6.3	11	x1910	[illegible]	58	58¾	+⅝
56⅛	52½	Xerox pf5.45		10.		x239	52⅝	d52⅜	52⅝	
31½	19⅛	XTRA	.64	2.0	16	59	31¼	30	31¼	+1
33⅞	17½	Yorkin			10	517	27½	26¾	27	−½
7¼	2¼	Zapata				103	3¼	3⅛	3⅛	
37	13½	Zayre	.40	1.7	9	15392	23⅞	21⅞	23¼	+1½
16⅛	8¾	Zemex	.40	3.9	13	31	10⅜	10¼	10⅜	+⅜
33⅝	10	ZenithE				2695	17⅜	16⅝	17⅛	+⅛
13½	2½	ZenLab				738	3	2⅞	3	+⅛
24	13½	ZenNtl	.80	4.6	8	116	17¾	17¼	17¼	−⅛
20⅝	11⅝	Zero	.36	2.3	16	174	15½	15	15⅜	+⅛
30¾	15	Zurnin s .68		2.8	16	366	24⅞	23¾	24¼	+1¼
10⅝	7⅜	Zweig 1.08e		11.		351	9¾	9⅝	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng

Continued on Page 41

AMERICA

Dow advances to highest level since market crash

Wall Street

THE STOCK market consolidated earlier gains yesterday and moved strongly upwards in active trading, *writes Deborah Hargreaves in New York.*

The Dow Jones Industrial Average closed at its highest level since October's stock market crash, breaking through the psychological 2,050 mark to close at 2,071.62, a gain of 48.41 points.

The bond market was stronger in morning trading, but by late afternoon, Treasury bonds gave back some of their earlier gains of ½ a point. Bond investors were spurred on by an expected drop in leading economic indicators for January, which are due to be released tomorrow.

However, some stock market players sat on the sidelines in advance of tomorrow's figures. Analysts said the Dow stocks were catching up with over-the-counter indices, which have shown recent strength.

Broader market indices also put in a stronger showing with the Standard and Poors 500 stock index up 5.34 points to close at 267.80 and the NYSE composite up 2.76 points at 150.46.

Much of yesterday's volume was due to dividend-related activity in three active utility stocks. Advancing issues led those declining by a ratio of two to one. Public Service Enterprise was by far the most active issue; its stock rose $1¼ to $24⅝ on volume of more than 25.4m shares. The company carries an 8.1 per cent dividend yield and goes ex-dividend tomorrow.

Other utility companies saw heavy volume in their shares with mixed results. Ohio Edison, which has a dividend yielding 10.1 per cent, was off $¼ at $19¼ and Texas Utilities with a dividend yield of 9.7 per cent rose $⅞ to $29½.

In the takeover area, Federated Department Stores saw its stock rise $1⅞ to $66⅞ as the company said it would consider an offer from another, unidentified suitor as well as an increased bid of $68 a share from Campeau. Campeau's latest offer, which has a total value of $6.02bn, was raised from its previous $66-a-share bid.

Stop and Shop rose $7⅞ to $43⅞ after the company said it agreed to be acquired for $44 a share in a leveraged buy-out organised by Kohlberg, Kravis, Roberts, which tops a hostile bid of $37 a share from the Dart group.

Roper, a lawnmower and range-maker company, advanced $10⅛ to $36⅞ as the company considered a $37½ offer from Whirlpool.

Brockway saw its stock rise $3 to $60 as a Federal Appeals Court cleared the way for its long-awaited takeover by the privately-held Owens-Illinois.

The Federal Appeals Court denied a motion by the Federal Trade Commission to block the $60-a-share acquisition for anti-trust reasons.

Homestake Mining advanced $3½ to $18 on news of a $20-a-share takeover offer from Mr T. Boone Pickens' group, Mesa. Mesa was up $⅛ to $12⅞.

Gold stocks seemed unaffected by the drop-off in gold prices and a slight decline in the dollar. Echo Bay Mines was up $1¼ to $19¾, American Barrick rose $1¼ to $20¾ and ASA was up $1⅛ to $46½, while Newmont Mining dropped $1⅛ to $34⅞.

The credit markets remained slightly bullish, reacting to expectations that leading US economic indicators, which will be released tomorrow, are expected to be lower. This would reflect the fourth straight monthly decline in the indicators, fuelling some expectations of a recession later this year.

The index of economic indicators is expected to show a fall of 0.2 to 0.4 of a point from December's figure. Investors in US bonds also remain hopeful that commodity prices are not likely to show much strength in the near term.

The benchmark 8.875 per cent Treasury long bond gave up some of its earlier gain to rise ⅛ to 105⅜ with a yield of 8.34 per cent. Short-term interest rates remained steady with the Treasury's three-month bill up 0.02, yielding 5.77 per cent.

Canada

A BROAD-based rally in the afternoon took prices sharply higher.

The composite index, which was up only 7.60 points at midday, closed with a gain of 36.97 points at the session high of 3,304.83.

SECTORAL PERFORMANCE IN EUROPE (per cent change in £ terms between December 31, 1987 and February 26, 1988)

SECTOR	Belgium	France	Netherlands	Spain
Market	27.8	8.5	7.2	8.8
Finance/ins	45.3	8.3	7.4	11.0
banks	17.8	1.8	3.4	9.9
finan inst	-	11.0	21.1	-
insur-mult	24.4	-	10.4	28.2
property	-	-7.9	-	42.6
holding cos	94.5	27.9	-	-
Energy	27.8	8.7	6.2	-1.9
oil	27.0	7.7	6.2	-1.8
other	-	37.5	-	-
Utilities	11.1	6.4	-	7.8
Trans/Storage	20.7	-	18.8	-
Cons Goods/Serv	25.5	6.5	9.6	4.8
cars	-	5.5	-	16.6
durables	-	6.4	-	-
cons goods/serv	25.5	13.7	8.3	-
text/apparel	-	-12.9	12.5	1.6
bev/tobacco	-	17.7	-2.9	-3.8
health/pers care	-	16.6	33.2	-
food/grocery	-	0.9	10.3	6.4
enter/leisure	31.0	21.2	-3.2	-
media	-	21.5	11.6	-
bus. serv	-	-4.8	-	-
retail	24.1	-1.0	22.7	-
wholesale	-	10.3	-0.2	-
Capital Gds	30.3	13.8	-0.8	9.1
aerospace/def	-	28.0	7.2	-
office gds	-	6.5	-6.9	-
electrical gds	-	17.3	-2.0	18.4
electronics	-	20.8	-	-
machinery/eng	-	29.9	12.5	8.0
car parts	-	3.9	-	-
ind manuf	39.3	13.2	12.7	7.4
hvy eng/shipbldg	-	5.4	-	-
Basic Industry	18.4	6.3	12.9	8.7
construc/bldg mat	21.3	5.0	20.1	6.6
chems	15.5	3.7	15.2	11.6
metals/minerals	28.2	18.3	15.7	-
forestry/paper	-	27.2	1.3	10.9
fabr metal	-	18.9	-	-

Figures supplied by Wood Mackenzie based on FT-Actuaries World Indices

Rumours and bids give sharp boost to sectors

THE DRAMATIC boost that takeover activity, real or rumoured, has given to a number of European bourses and stock sectors this year is revealed in the accompanying table, *writes Alison Maitland in London.*

The Belgian market, up 27 per cent in sterling terms by yesterday morning, has done five times better than Europe overall this year thanks to the lengthy and suspenseful battle for Société Générale de Belgique, the country's largest holding company.

The Belgian finance and insurance sector has risen by 45 per cent, and its holding companies sub-sector, which features La Générale, is up a massive 95 per cent. While many other shares have been pulled up by the bid excitement, particularly notable gains include three companies in which La Générale has large stakes – Sofina, up 48 per cent in the utility sector on prospects of good synergy between its financial side and the bidding De Benedetti group; Tractebel, also in utilities, up 36 per cent; and Gechem, 40 per cent higher in chemicals.

France, one of the worst-hit European markets in the crash, has been swept by a wave of takeover talk, spurring a wide variety of sectors forward. Holding companies, up 28 per cent, feature Compagnie du Midi, the insurance, financial services and property group in which Italy's Generali has raised its holding to 9.5 per cent and which is engaged in a defensive restructuring and capital increase.

Moulinex, in household appliances, has jumped 44 per cent on takeover speculation although its future now seems secure under a management buyout, while the battles for Martell, the cognac house, and Bénédictine, the liqueur producer, have seeped through into an 18 per cent rise for the beverage and tobacco sub-sector.

Entertainment and leisure stocks have gained 21 per cent, thanks partly to Far Eastern interest in the hotel group Accor and to the build-up of friendly holdings to protect Club Méditerranée.

Machinery and engineering has gained 30 per cent, driven by Télémécanique, the industrial automation company for which Schneider, in the buoyant electric equipment sector, has just raised its hostile bid to top an increased offer from "white knight" Framatome.

In the Netherlands, the transport and storage sector has strongly outperformed the market with a 19 per cent rise largely based on the battle over the future policy of Nedlloyd, up 44 per cent, between the transport company's management and dissident shareholders.

The media sector has jumped 12 per cent on the controversial takeover of Audet, the small newspaper publisher, by VNU, the country's largest publishing group, and on suggestions of renewed interest in a third group, Elsevier, from UK publisher Mr Robert Maxwell.

In Spain, finance has proved one of the most active sectors so far this year, rising 11 per cent, as the merger of Banco de Vizcaya and Banco de Bilbao has raised speculation and sparked discussions about the future of the country's numerous other banks in the build-up to a single European market in the 1990s.

The chemicals sector has also outperformed the market, with Union Explosivos Rio Tinto bursting ahead by 63 per cent as it tries to escape Kuwaiti overtures; Banesto bank last week offered to take an 18 per cent holding. Bulk chemicals company Aragonesas has meanwhile jumped 43 per cent.

EUROPE

Continuing battle for La Générale adds spice

MR CARLO De Benedetti's continuing takeover battle for Société Générale added spice to European markets, which were otherwise generally quiet yesterday in the search for a new direction. Corporate results produced some of the larger share price movements, amid further selective profit-taking.

FRANKFURT was hit by the absence of fresh economic news but ended on a positive note in quiet trade. The FAZ index rose 1.31 to 456.82.

The day saw some profit-taking following last week's strong gains, and the biggest movers were those which announced news likely to improve their earnings.

Porsche lost DM14 to DM461 on profit-taking, having risen by more than 10 per cent since mid-February.

News that Nixdorf had won a large contract to provide China's post offices with electronic data processing equipment boosted its shares DM12.50 to DM547.50.

Bond prices closed up about 25 basis points - but off their best levels after profit-taking - with yields on 10-year bonds ending at about 6.20 per cent.

PARIS ended slightly easier after opening firmer, as the market awaited clear signs of a new direction to follow.

The day saw low volume and some profit-taking following recent gains linked to takeover talk. The CAC index, calculated at the opening, was up 1 at 306.5.

Textile group DMC was among the losers, shedding FFr36 to FFr510 as news of a capital increase dampened takeover speculation surrounding it.

Moulinex fell FFr2.10 to FFr56.50, following recent sharp movements, on news that Mr Jean Mantelet, the chairman, had decided to bequeath his holding to senior management after he dies.

MILAN finished higher across the board, boosted by news that Mr De Benedetti had formed an alliance with Belgian holding company Gevaert in his fight for control of Société Générale de Belgique.

The MIB index ended up 21 at 1,036 in active trading. It has risen 18.5 per cent since reaching a low for the year of 874 on February 9.

The day's biggest rise came from Standa, which added L1,160, or 9.7 per cent, to L13,000 on revived rumours of a possible sell-off of the supermarket chain.

BRUSSELS was dominated by activity in companies tied to Société Générale and it closed mixed overall, with no clear sectoral patterns.

One of the biggest share price rises came from Gevaert, which rose BFr950, or 12.6 per cent, to BFr8,500 after increasing its stake in La Générale and joining the De Benedetti camp. Copeba also gained 12.6 per cent, adding BFr650 to BFr5,800, on news that it too would join Mr De Benedetti.

AMSTERDAM received a boost from the stronger opening on Wall Street and selective buying by overseas investors, although it lacked direction overall. The ANP-CBS general index added 2 to 232.6.

Chemical company Akzo was buoyed by last week's strong results from ICI, and rose Fl 2.50 to Fl 102.50. Unilever, which reports today, added Fl 3.40 to Fl 115.30.

ZURICH was held down by the slightly lower dollar and disappointing results from leading banks, and closed mixed in sluggish trading. The Crédit Suisse index ended up 0.5 at 451.8.

Asea Brown Boveri closed SFr30 lower at SFr1,925 before announcing rationalisation plans. UBS lost SFr45 to SFr3,155 and Swiss Bank, due to report annual results tomorrow, eased SFr3 to SFr346.

MADRID rose to its highest so far this year, with building stocks leading the way on favourable news of contracts for the 1992 Barcelona Summer Olympics.The general index gained 2.59 to 254.12.

STOCKHOLM closed slightly higher in quiet trading, with the Affaersvaerlden index adding 3.3 to 765.6.

Turnover was hit by the start of the school holiday week and the only substantial buying was seen in shares of forestry company Holmen, which publishes its annual report next Monday. It rose SKr6.50 to SKr105.

London

TURNOVER remained woefully thin as institutional investors stayed on the sidelines in the run-up to the Budget, and the FT-SE 100 index added just 2.3 to 1,768.

The market stood up well to news of a worse-than-expected visible deficit on UK trade in January, with sentiment helped by the buoyant pound.

ASIA

Jitters pull Nikkei lower after 13 consecutive rises

Tokyo

CONCERN over the fast rate of recovery in Tokyo led to the market's first fall in 14 sessions, although the steel sector remained active and buying interest was strong, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average picked up toward the close, but finished 42.06 lower than Saturday at 25,242.81. Transactions totalled 923m shares, down from 1.35bn on Friday's full-day session. The index moved between 25,127.71 and 25,263.84.

In the 13 days from February 12, the Nikkei average had jumped 1,622 points, ending on Saturday just 46 points short of the 25,746 recorded on the eve of the October 20 market crash.

Buying centred on steel stocks, helped by investor belief that the rapid recovery in the market for the metal would mean sharp improvements in steelmakers' performance for the business year ending in March.

Sumitomo Metal, the most active stock for the day with 90m shares traded, added Y15 to Y334, while Nippon Steel placed second with 79.2m shares, adding Y8 to Y430. Kawasaki Steel gained Y10 to hit a record high of Y375

Large-capital shipbuilding stocks were also in the limelight. Ishikawajima-Harima Heavy Industries rose Y15 to Y746 on 53.6m shares and Mitsubishi Heavy Industries was up Y11 at Y638.

Trading in the 10 most active issues accounted for 46.5 per cent of total trading, up from 28.5 per cent on Friday. Most was accounted for by individual investors.

Konica continued to attract interest because of its relatively low price among blue chips and rumours of large speculative purchases. It put on Y30 to Y1,130.

Leading high technology stocks dipped, with NEC losing Y20 to Y2,030 and Fujitsu Y10 to Y1,480. Heavy electricals, popular last week, also weakened.

Bond market purchases continued in the morning after dealer buying on Saturday led to a drop in the yield on the barometer 5.0 per cent government bond — due in December 1997 — below the barrier of 4.3 per cent to 4.29 per cent. The weaker US dollar, at Y127 in Tokyo, helped.

But selling later set in and the yield rose to 4.31 per cent.

Bond trading on the over-the-counter market came to only a little more than Y620bn, far smaller than the Y1,100bn for the half-day session on Saturday.

Prices on the Osaka Securities Exchange continued to advance for the third straight day as stocks of companies based in the Kansai (western Japan) region drew selective buying.

Australia

BANKS and prime industrial stocks attracted the most interest in moderate trading, helping to push the All Ordinaries index up 10.1 to 1,251.0.

Among industrials, Brambles was up 20 cents at A$8.50 after its 36 per cent rise in interim profits last week.

Bell Group rose 12 cents to A$1.45 before the announcement by Australian financier Mr Robert Holmes à Court that he had arranged a A$700m takeover bid for it by associate company Bell Resources.

Amcor added 7 cents to A$3.90 on speculation it would report a solid profit on Thursday.

Golds were mostly down following the slump in the international bullion price. Renison was 30 cents lower at A$5.80 after its 7.7 per cent dip in half-year profits last week.

Hong Kong

FRESH buying by overseas institutions and continued interest from local investors fuelled further gains, with the Hang Seng index adding 34.16 to 2,418.08.

Trading was active, with turnover rising to HK$940m.

Bullish sentiment was helped by expectations that tomorrow's Budget would include tax reductions for corporations and individuals.

Jardine Matheson gained 40 cents to HK$11.10 after a consortium led by its Gammon subsidiary won the mandate to build a tunnel between two towns on the Kowloon peninsula.

Trading in First Pacific Holdings, Cathay City, Lap Heng and Richfield International was suspended at their request pending an announcement by them.

Singapore

PROFIT-TAKING reversed early gains as the dip in Tokyo and the weaker US dollar dampened sentiment.

The Straits Times Industrial index eased 0.87 to 889.07.

Early gains followed news that the Singapore economy grew by a revised 8.8 per cent last year, compared with the 8.6 per cent first reported.

SOUTH AFRICA

THE weaker bullion price pushed share prices lower in quiet Johannesburg trading, with the gold index ending the day down 10 at 1,212.

Randfontein lost R2 to R208, after slipping to R205 and Beatrix fell 75 cents to R10.75. Platinums followed gold, and Rustenburg shed 50 cents to R25.25.

There was strong demand for diamond stock De Beers, which firmed 75 cents to R25.75, on interest from local institutions and London buyers expecting good annual results. Industrial stock Barlow Rand also attracted interest, ending unchanged at R19.60.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 29 1988					FRIDAY FEBRUARY 26 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	99.51	+1.2	83.19	92.06	4.63	98.32	82.20	90.97	180.81	85.36	111.37
Austria (16)	87.63	+0.7	73.26	76.73	2.73	87.02	72.75	76.19	102.87	84.35	95.52
Belgium (48)	131.88	+6.6	110.25	114.97	4.15	123.69	103.40	107.83	134.89	94.63	108.63
Canada (127)	117.03	+1.3	97.83	106.82	3.06	115.51	96.56	105.68	141.78	98.15	118.98
Denmark (38)	118.13	+0.3	98.76	103.67	2.83	117.81	98.49	103.35	124.83	98.18	112.88
Finland (23)	115.91	+0.0	96.90	99.25	1.89	115.95	96.93	99.36	–	–	–
France (122)	87.67	–0.6	73.29	78.63	3.81	88.18	73.71	79.01	121.82	72.77	113.32
West Germany (94)	77.87	+0.3	65.10	68.34	2.71	77.61	64.88	68.07	104.93	67.78	88.40
Hong Kong (46)	93.48	+2.0	78.14	93.61	4.52	91.63	76.60	91.73	158.68	73.92	113.69
Ireland (14)	113.54	–0.6	94.92	101.32	4.33	114.24	95.50	101.88	160.22	93.50	121.75
Italy (94)	75.29	+2.1	62.94	69.98	2.76	73.72	61.63	68.46	112.11	62.99	96.71
Japan (457)	161.02	+0.1	134.61	130.64	0.53	160.94	134.54	130.37	161.28	100.00	119.49
Malaysia (36)	113.18	–0.1	94.61	112.57	3.31	113.32	94.74	112.80	193.64	93.76	135.03
Mexico (14)	151.56	+1.1	126.70	383.11	0.93	149.96	125.36	378.74	422.59	90.07	135.35
Netherland (37)	102.26	+0.7	85.49	88.44	5.09	101.51	84.86	87.73	131.41	87.70	103.56
New Zealand (23)	65.16	–1.7	54.47	52.03	6.26	66.30	55.42	52.83	138.99	65.16	93.01
Norway (24)	109.68	–1.5	91.69	94.57	3.23	111.32	93.06	96.29	185.01	95.51	114.26
Singapore (26)	104.48	+0.3	87.34	96.97	2.47	104.17	87.08	96.56	174.28	81.21	120.40
South Africa (61)	123.10	–1.8	102.91	74.75	5.58	125.36	104.80	75.08	198.09	100.00	119.30
Spain (43)	137.74	+1.1	115.14	118.85	3.53	136.23	113.88	117.55	168.81	100.00	120.38
Sweden (32)	109.59	+0.1	91.62	97.14	2.80	109.47	91.51	97.03	136.64	88.50	106.77
Switzerland (53)	82.19	–0.7	68.71	70.91	2.39	82.74	69.17	71.15	111.11	73.65	94.46
United Kingdom (327)	129.87	+0.1	108.57	108.57	4.35	129.73	108.45	108.45	162.87	99.65	125.09
USA (585)	109.10	+1.9	91.21	109.10	3.45	107.07	89.50	107.07	137.42	91.21	117.08
Europe (965)	104.72	+0.5	87.54	90.29	3.80	104.24	87.14	89.84	130.02	92.25	109.31
Pacific Basin (679)	155.93	+0.1	130.35	127.64	0.72	155.76	130.21	127.31	158.77	100.00	118.87
Euro-Pacific (1644)	135.46	+0.2	113.24	112.77	1.68	135.17	112.99	112.40	143.65	100.00	115.06
North America (712)	109.52	+1.9	91.56	108.99	3.43	107.51	89.88	107.00	137.55	91.68	117.18
Europe Ex. UK (638)	89.06	+0.8	74.46	78.80	3.32	88.39	73.89	78.13	111.97	78.89	95.19
Pacific Ex. Japan (222)	94.50	+1.2	79.00	88.81	4.54	93.39	78.07	87.74	164.03	82.92	109.18
World Ex. US (1846)	134.71	+0.2	112.62	112.27	1.76	134.40	112.36	111.88	143.38	100.00	115.27
World Ex. UK (2104)	124.31	+0.9	103.92	111.41	2.12	123.26	103.04	110.37	138.82	100.00	115.11
World Ex. So. Af. (2370)	124.80	+0.8	104.33	111.41	2.30	123.81	103.50	110.45	139.47	100.00	115.97
World Ex. Japan (1974)	107.42	+1.3	89.80	101.24	3.62	106.03	88.64	99.90	134.22	92.98	114.32
The World Index (2431)	124.79	+0.8	104.32	111.14	2.32	123.82	103.51	110.19	139.73	100.00	115.99

Base values: Dec 31, 1986 = 100. Finland Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Amendments to indices for February 26 applied to the following: Italy and the Regional indices.